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2001 Results-oriented annual report of the United Nations Capital Development Fund*

Summary

The Results-oriented annual report (ROAR) of the United Nations Capital Development Fund (UNCDF) for 2001, produced in compliance with Executive Board decision 99/22, captures the results achieved by UNCDF in 2001 under its strategic results framework (200-2003). New features of the 2001 ROAR include a refined strategic results framework and an initial, tentative attempt at performance-based budgeting.

Overall, the analyses of performance show that 2001 was a year of consolidation and deepening of the previous year's gains, resulting not necessarily in significant increases in output attainments but in improved quality of both project management and outputs. An analysis of expenditures reveals successful implementation by UNCDF of Executive Board decision 99/22 to focus its work in the two areas of local governance and microfinance. Independent, external evaluation of UNCDF work continues to indicate that its operations contribute significantly to the well-being of the poor while providing strong support for the UNCDF overall local development strategy. In terms of organizational strengthening, UNCDF has made significant strides towards completing its follow-up to the recommendations of the 1999 external evaluation. A significant achievement was the formalizing of partnership arrangements with UNDP in the area of microfinance. In resource mobilization, voluntary contributions displayed a slightly positive trend for the first time since 1996, increasing by 1 per cent in 2001; efforts to increase non-core resources resulted in non-core contributions of $5.5 million, an increase of 145 per cent over 2000. Despite these encouraging signs, total core resources have declined and, as noted by many delegations at the annual session 2001 of the Executive Board, the level of UNCDF resources is falling far short of the demand for its investment and capacity-building services by programme countries.

* The collection and analysis of current data required to present the Executive Board with the most up-to-date information has delayed submission of the present document.

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I. Introduction

1. The results-oriented annual report produced in compliance with Executive Board decision 99/22, captures the results achieved by the United Nations Capital Development Fund (UNCDF) in 2001 within the strategic results framework (SRF) 2000-2003. This is the second time that the Fund is reporting on its performance through the ROAR.

2. UNCDF uses the ROAR to provide an overview of its performance for the year, to help to identify areas in need of attention and to support decision-making at programme/project and headquarters levels. The report focuses on those results attributable to UNCDF interventions and which reflect the small size of UNCDF and its orientation towards innovating pilot projects in local governance and microfinance to help to reduce poverty.

3. The report does not attempt to measure the Fund's contribution towards poverty reduction in the global context. Research shows that access to basic infrastructure and services by the poor - including financial services - reduces poverty (See annex to the present report and the bibliography of the UNCDF policy paper "Taking Risks", UNCDF, 1999). Actual field impact will be reported in 2004 through an external impact evaluation. Also, as UNCDF interventions are a small part of overall international development assistance, its ability to contribute to the broader poverty reduction goal depends on its ability to promote replication and/or expansion of its work, either by the national governments or other development partners.

4. The present report provides a brief overview of the SRF, an analysis of overall UNCDF performance in 2001, and a detailed analysis of its performance under each sub-goal. Performance-based budgeting was introduced in 2001 to strengthen the focus and cost-effectiveness of UNCDF interventions. The methodologies for preparing the SRF and undertaking the ROAR analysis are summarized in the annex.

II. The UNCDF strategic results framework

5. The overall goal of UNCDF is to help to reduce poverty. Towards this goal, the Fund is committed to innovation and calculated risk-taking. UNCDF understands that its mandated role demands focus. The Fund therefore works to reduce poverty by: (a) piloting small-scale investments in two areas only - local governance and microfinance; (b) concentrating its investments on a selected number of least developed countries (LDCs), of which 15 are considered concentration countries; and (c) ensuring continuous organizational learning and strengthening to attain its goals.

UNCDF and partners in Mozambique

Since 1998, together with UNDP and the Government of the Netherlands, UNCDF has been piloting a decentralized planning, local capacity-building and investment programme in the Nampula province of Mozambique. Intense monitoring and evaluation have allowed the Government to adjust the pilot programme and turn it into a model for replication in other provinces. Consequently, the Government of the Netherlands has extended its support for the consolidation of the Nampula experience, the Government of Norway has decided to support the replication of the programme in the Cabo Delgado province and the World Bank is putting together an overall framework for national replication.

6. In the ROAR 2000, the UNCDF overall goal of poverty reduction was divided into four sub-goals: local governance, microfinance, natural resource management, and corporate management. For 2001, natural resource management was integrated into the operations of the Fund's primary local governance intervention – the local development programmes (LDPs). Accordingly, results achieved in natural resources management are reported under the local governance sub-goal. Furthermore, building on the previous year's experience, the SRF was refined to better track performance towards the strategic outcomes. Therefore, the overall goal is now divided into only three sub-goal areas, with refinement, and addition, of performance indicators. The strategic results for UNCDF are reported accordingly, in local governance, microfinance and organization strengthening.

Local governance

7. UNCDF promotes poverty reduction in direct partnership with local authorities, community institutions, non-governmental organizations (NGOs) and the private sector. It does so through its Local Governance Unit (LGU). In this area of operations, UNCDF promotes decentralized, participatory approaches to the provision of basic infrastructure and services (health, education, transportation, markets, water systems) as well as the management of natural resources. The

Fund uses seed capital to develop local institutional capacities in planning and financial management by coupling real resource management responsibilities with capacity-building support services. Partnership with programme country Governments, local authorities and communities is emphasized to ensure that local investments match local needs, are managed efficiently and are sustainable. At the same time, partnership with other donors and development agencies facilitates the replication of UNCDF-piloted interventions. In its decision 99/22, the Executive Board stressed the importance of strengthening the UNCDF partnership with UNDP. As an indication of this, all LDPs include partnership arrangements with UNDP. In the same decision, the Board recommended that UNCDF focus on local governance. Since then, the Fund has been phasing out blueprint infrastructure projects and integrating best eco-development practices within its LDPs. This process is ongoing. Currently, the LGU supports poverty-reduction efforts through a portfolio of mainly LDPs along with some eco-development and infrastructure projects from the previous generation of projects.

Microfinance

Microfinance in Nicaragua

A UNCDF-supported microfinance project is successful in creating financially sustainable microfinance institutions in northern Nicaragua and providing them with access to financial resources. One organization in particular, Fundenuse, became an efficient and sustainable microfinance institution with operational costs at 16.5 per cent and operational self-sufficiency at 165 per cent.

8. UNCDF invests with the poor by supporting the development of reliable and sustainable microfinance institutions. It does so through its Special Unit for Microfinance, which also serves as the technical and policy advisor to the UNDP group in the practice area of microfinance. In 1998, UNCDF reformulated its approach to microfinance, based on an external portfolio review conducted by the Consultative Group to Assist the Poorest. Recognizing the small number of sustainable microfinance institutions facing the massive demand for microfinance services globally, UNCDF supports start-up, young and promising microfinance operations that have the potential to breakthrough and become significant players in their markets. The aim is to increase the number of institutions that provide sustainable microfinance. UNCDF has a clear policy objective to support only microfinance operations that show a clear, credible path to financial and institutional sustainability. Sustainable access to microfinance provides poor and low-income households enables micro and small businesses to survive and grow, offering the opportunity for self-employment and job creation for the non-entrepreneurial poor. In addition, access to savings services provides opportunities for people to manage and safeguard their money better, enabling them to build strategies for mitigating risk and building assets to invest in the future. It is for these reasons that sustainable microfinance is perceived as a powerful tool to alleviate poverty.

Organization strengthening

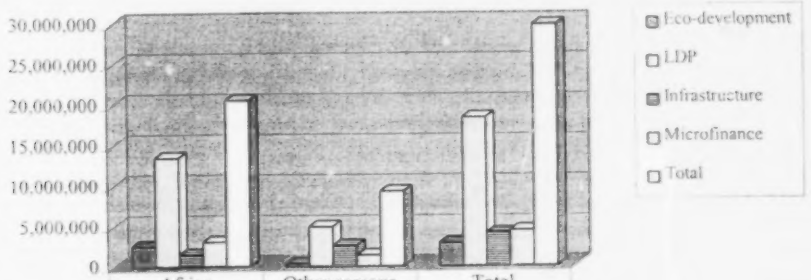
9. UNCDF is committed to managing for results. In order to ensure its ability to support its programmes in local governance and microfinance, UNCDF takes constant steps to maintain and build new capacity to perform well. It has located a range of technical skills, in the form of technical advisors in programme regions as well as at headquarters, to respond positively to its operating environment. This breadth in technical competencies is designed not only to satisfy current development requirements but also to address future possibilities to which UNCDF is being invited, increasingly, to respond. To ensure organizational learning, the Fund insists on external, independent assessments to expose mistakes in order to learn from them. Finally, in order to develop and fine-tune systems and procedures to support the delivery of the various UNCDF services, the organization has spent considerable effort in conducting an organization-wide functional analysis, building up its results-based management system, including its management information systems, and introducing the idea and technique of performance budgeting.

10. Thus, the UNCDF strategy is clearly and consistently framed within the three sub-goal areas. Under each sub-goal are sets of indicators that spell out the desired outcomes for each sub-goal. With this strategic results framework in place, it is now possible to review 2001 performance in detail.

Analysis of portfolio

11. In 2001, UNCDF had an overall project portfolio of 92 projects, of which 53 projects met the criteria for reporting, i.e., activities lasting more than five months with expenditure over $50,000 in 2001; annual reports were provided for 44 of these projects and have aggregated into the 2001 ROAR. The remaining 11 projects were not included in this report because of reporting problems mainly relating to submission of incomplete data. UNCDF will take appropriate action to improve reporting by all its projects for the next ROAR.

Figure 1. Regional distribution per project type (2001 expenditures) (in US dollars)



	Africa	Other regions	Total
Eco-development	2,542,541	347,665	2,890,206
LDP	13,461,402	4,917,491	18,378,893
Infrastructure	1,504,623	2,591,122	4,095,745
Microfinance	3,034,618	1,401,452	4,436,070
Total	20,543,184	9,257,730	29,800,914

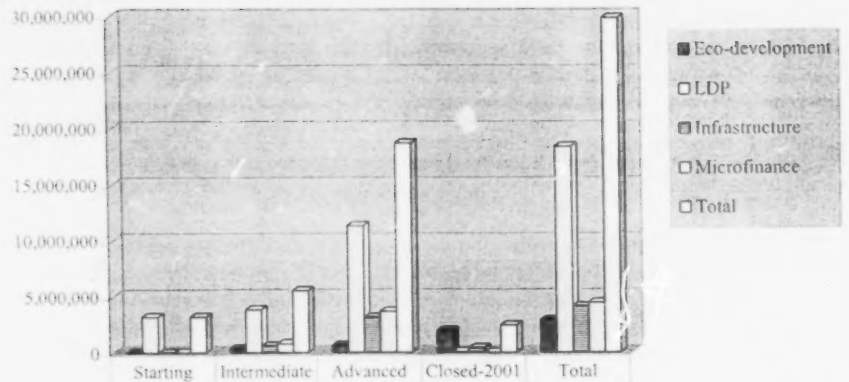
Distribution per number of projects:

Eco-development	3	1	4 (9%)
LDP	17	5	22 (50%)
Infrastructure	4	4	8 (18%)
Microfinance	6	4	10 (23%)

12. As figure 1 shows, of the 44 reporting projects, the majority are local development programmes (22 or 50 per cent), with microfinance projects second (10 or 23 per cent) followed by infrastructure projects (8 or 18 per cent) and eco-development projects (4 or 9 per cent). In accordance with decision 99/22, as noted above, infrastructure and eco-development projects are being phased out.

13. Total programme expenditure in 2001 for all 92 projects was approximately US$36 million. The 44 reporting projects account for $29.8 million or 83 per cent of the total. In expenditure terms, the trend towards more investments in LDPs is confirmed. LDPs account for the bulk of expenditures ($18.3 million or 61 per cent of reporting projects) followed by microfinance projects ($ 4.4 million or 15 per cent). Consistent with the move away from blueprint infrastructure and stand-alone eco-development projects, they accounted for only $4 million (or 13 per cent) and $2.8 million (or 9 per cent) respectively.

Figure 2. Distribution per project type and maturity (in US dollars)



	Starting	Intermediate	Advanced	Closed-2001	Total
Eco-development	0	347,665	597,381	1,945,160	2,890,206
LDP	3,183,148	3,830,414	11,300,730	64,601	18,378,893
Infrastructure	0	562,799	3,122,077	410,869	4,095,745
Microfinance	-2,068	784,869	3,653,269	0	4,436,070
Total	3,181,080	5,525,747	18,673,457	2,420,630	29,800,914

Distribution per number of projects:

Eco-development	0	1	2	1	4
LDP	7	4	10	1	22
Infrastructure	0	3	4	1	8
Microfinance	1	2	7	0	10
Total	8	10	23	3	44

14. Analysis of expenditure by project maturity shows a distinct, expected trend, with the bulk of expenditure by projects in the advanced implementation stage ($18.7 million or 63 per cent), followed by projects at the intermediate implementation stage ($5.5 million or 18 per cent) and projects just starting implementation ($3.1 million or 10 per cent). Projects closed in 2001 accounted for $2.4 million or 8 per cent of expenditures.

III. Performance analysis

15. In the performance analysis of the three sub-goals, performance is assessed by the percentage of projects that attained their 75 per cent or more of their planned targets under each outcome indicator (see annex for more details). The rating system is as follows:

Percentage of projects attaining planned targets	Rating
75%- 100%	Satisfactory
50-74%	Partially achieved
Below 50%	Below expectations

16. Overall, the following analyses of performance under each sub-goal show that 2001 was a year of consolidation and deepening of the previous year's gains, resulting not necessarily in significant increases in output attainments but in improved quality of both project management and outputs.

A. Performance analysis for sub-goal 1: Local governance

17. Sub-goal 1 is to increase sustainable access of the poor to basic infrastructure and public services and to productive livelihoods opportunities through good local governance and enhanced natural resources management.

Thirty-four projects are accounted for under this sub-goal (22 LDPs, 4 eco-development and 8 infrastructure projects). The local governance outcomes, performance scores and summary assessments are presented in table 1.

Table 1. Performance of sub-goal 1.

	Outcome	*2000 Performance*	2001 % scores	2001 Performance
1.1.1.	Improved capacity of local communities and civil society organizations to participate in the planning of local development	*Satisfactory*	82	Satisfactory
1.1.2.	Participatory planning processes are institutionalized at the level of local authorities	*Partially achieved*	79	Satisfactory
1.2.1.	Financing mechanisms, based on principles of good governance, are institutionalized at the local level	*Partially achieved*	71	Partially achieved
1.2.2.	Local authorities have improved access to sustainable funding sources	*Partially achieved*	44	Below expectations
1.3.1.	Local capacity to deliver basic infrastructure and public services is increased	*Satisfactory*	57	Partially achieved
1.3.2.	Local capacity to maintain basic infrastructure and public services is increased	*Partially achieved*	51	Partially achieved
1.3.3.	Local communities are empowered to hold local authorities accountable for the delivery of basic infrastructure and public services	*Satisfactory*	84	Satisfactory
1.4.1.	Capacity of the local authorities and the communities to manage the natural resources base in a sustainable manner is improved	*Below expectations*	60	Partially achieved
1.5.1.	National policy and regulatory frameworks for decentralization and strengthened local government is improved	*Satisfactory*	52	Partially achieved
1.5.2.	Best practices of UNCDF pilot projects are replicated by other donors and central governments	*Satisfactory*	50	Partially achieved

18. The results for 2001 suggest performance gains in some areas and some slippage in others. Whereas local governance projects performed satisfactorily towards five outcomes in 2000, satisfactory progress towards three outcomes is reported for 2001. Results achieved by the local governance projects continue to demonstrate the strong commitment of UNCDF to ensure stockholder participation across its different interventions. An area of encouragement is the improvement in the institutionalization of participatory processes at the local level. Another encouraging sign is the improvement in work towards building local authority and community capacity in natural resource management.

19. These encouraging results reflect the intensive advocacy efforts by project teams to institutionalize participatory planning and natural resource management at the local level. In gender-mainstreaming, more projects are reporting on the participation of women than in 2000 and there is a slight gain in the number of projects attaining their targets for the participation of women. These are slow, but sure, positive results of increasing gender advocacy efforts by programme management.

Viet Nam illustrates the UNCDF approach

Within the reform framework of the Government, UNCDF is supporting Viet Nam in its efforts to alleviate poverty in rural areas in the central provinces of Quang Nam and Da Nang by providing funds for improved rural infrastructure through a decentralized planning and investment process. With UNCDF support, the Rural Infrastructure Development Fund (RIDEF) has developed a new approach to management that empowers local governments and communities. The project has helped 122 communes to rehabilitate and construct over 800 rural facilities, such as health clinics, irrigation schemes, small bridges, access roads, schools, markets and power-supply systems.

20. There are three outcomes where it is difficult to capture performance on an annual basis because achievement requires a longer time frame: local resource mobilization; policy change; and replication. Nevertheless, the fact that progress is partially achieved in the latter two areas is encouraging. Twelve out of 17 projects reported satisfactory performance in attaining their policy goals while three out of six projects reported attainment of their replication goals. It should be noted that these are ongoing efforts for most projects and, in the instance of policy change and replication, attainment of outcome is largely dependent on the actions of government and development partners.

infrastructure and basic services. Projects performed satisfactorily in 2000 but report partial achievement in 2001. Still, 60 per cent of projects achieved their implementation targets for an impressive total of 1,656 small-scale infrastructures

constructed. These small-scale infrastructures provide a range of services for a large number of community members; for example, four projects reported coverage of 2,556 villages while three projects reported that at least 5.4 million community members benefited. Various factors affect the successful construction of infrastructure in different countries including procurement and construction delays, although in a few instances overambitious planning has been cited as a reason for non-performance.

B. Performance analysis for sub-goal 2: Microfinance

22. The aim of sub-goal 2 is to increase access of the poor, especially women, to financial services on a sustainable basis through strengthened micro-finance institutions and an enabling environment. UNCDF microfinance outcomes, performance scores and summary assessments are presented in table 2, followed by a general review. The following analysis covers only the results produced by UNCDF capital investments in microfinance. Ten microfinance projects are accounted for in this analysis, covering 27 microfinance institutions (MFIs). It should be noted that, as the Special Unit for Microfinance has only recently been fully integrated into UNCDF, a significant part of UNCDF/SUM activities (i.e., managing the Microstart and Microsave programmes, providing technical advisory support to UNDP microfinance activities and capacity-building for donors and practitioners in the sector) are not captured in this analysis but are reported upon in a descriptive manner here as well as under sub-goal 3. New indicators will be developed to capture the contribution of these activities to the microfinance sub-goal in 2002.

Table 2. Performance of sub-goal 2.

	Outcome	*2000 Performance*	2001 % scores	2001 Performance
2.1.1.	The poor, especially women, have greater access to micro-finance services	*Satisfactory*	70	Partially achieved
2.2.1.	Microfinance institutions are financially viable and provide quality services	*Satisfactory*	56	Partially achieved
2.3.1.	Countries have improved their enabling environments for supporting the development of microfinance.	*Satisfactory*	100	Satisfactory

23. From table 2, results at the outcome level seem to indicate that microfinance operations suffered a setback in 2001. However, analyses of the results show that performance actually improved in absolute terms. For example, under the first outcome, though the number of MFIs reaching their performance targets declined, the number of active borrowers reached by these MFIs has increased over 2000.

24. Similarly, in the second outcome area, there has actually been an increase in the number of MFIs performing satisfactorily – up to 16 from 14, but because the number of MFIs reporting has increased, the performance rate is "partially achieved". The significant increase of MFI partners now tracking their operational self-sufficiency; up to 27 from 16, is a strong indication in itself that the MFIs are committed towards best practice and sustainability in microfinance operations. This is also an indication that MFIs are taking an important step towards incorporating a more transparent reporting process.

25. As in 2000, only one project (supporting five MFIs) had the opportunity to influence the operating environment for microfinance and it did so effectively. It should be noted that UNCDF generally adopts a cautious approach to promoting institutional change at the policy level because success in this area depends on a relatively rare confluence of factors, not least of which is the existence of a critical mass of viable MFIs capable of demonstrating how the application of internationally accepted systems, procedures and practices can produce a significant impact in terms of outreach to poor populations on a sustainable basis. Moreover, in countries where the microfinance industry is embryonic, as is the case for the majority of least developed countries (LDCs) where UNCDF invests, experience has shown that the best approach is to allow institutions to operate under existing policy frameworks where possible, while supporting MFIs on the ground to test these frameworks.

26. Strengthening the UNCDF partnership with UNDP is one of the main recommendations of the 1999 external evaluation of UNCDF. Through MicroStart, UNCDF/SUM partners with UNDP in 19 countries. Collectively, at the end of 2001, the 68 MFIs that have received assistance have increased by 197,938 the number of active clients they serve, from a baseline of 128,770 active clients to 324,262. From these investments, UNCDF/SUM is seeing an increasing number of breakthrough MFIs (i.e., when an organization becomes a major service provider in its geographic

area, attaining substantial independence from donors through financial viability and influencing other providers). It is generally accepted that it takes an MFI three to five years to reach operational self-sufficiency. At the end of 2001, the length of time MicroStart country programmes have been operational averages only two years. It is very encouraging that, already, 17 participating MFIs have achieved operational self-sufficiency while 48 MFIs have demonstrated clear progress towards it. In addition, 34 MFIs have a portfolio at risk at 30 days of less than 5 per cent.

C. Performance analysis for sub-goal 3: Organization strengthening

27. The aim of sub-goal 3 is to promote a financially sound organization that develops and implements quality programming in local governance and micro-finance. The organization strengthening outcomes, performance scores and summary assessments are shown in table 3.

Table 3: Performance of sub-goal 3.[1]

	Outcome	*2000 Performance*	2001 Performance
3.1.1.	UNCDF has moved from policy refinement to an emphasis on operational impact;	Satisfactory	Satisfactory
3.1.2.	UNCDF has maintained quality assurance through skilled staffing, improved elements of the project cycle and continuous learning through monitoring and evaluation;	Satisfactory	Satisfactory
3.1.3.	UNCDF has maximized its comparative advantages through improved partnerships;	Satisfactory	Satisfactory
3.2.1.	UNCDF has became more efficient and cost-effective through improved tracking and analysis of its finances;	Satisfactory	Partially achieved
3.2.2.	UNCDF has developed a culture of resource mobilization based on measurable performance, efficiency and value for money; and	Partially achieved	Partially Achieved
3.2.3.	UNCDF has diversified its resource base and increased the number of donors.	Partially achieved	Satisfactory

[1] As several outcome indicators under Sub-Goal 3 are qualitative indicators, no aggregate performance score is provided.

28. Independent, external evaluation of UNCDF work continues to indicate that its operations contribute significantly to the well-being of the poor while providing strong support for UNCDF overall local development strategy. Under organization strengthening, UNCDF has made significant strides towards completing its follow-up to the recommendations of the 1999 external evaluation (see UNCDF action plan 2000, circulated to Members of the Executive Board and available from UNCDF). Of the 11 recommendations, five have been completed and four are near completion; the remaining two will be addressed in 2002. In addition to the recommended actions, UNCDF management took the initiative to conduct functional analyses of each of its headquarter units, resulting in better allocation of limited staff resources, improved inter-unit communications and greater overall efficiency in operations.

29. Moving from the successful completion of policy refinement work in 2001, UNCDF focused its energies on making its refined policies operational. This was achieved through the successful application of the new project formulation guidelines as well as the policy impact and replication guidelines, resulting in formulation processes appreciated by all stakeholders, completed in good time, and with substantive analysis of policy impact and replication opportunities. There was also successful follow-through on formalizing important partnership arrangements with UNDP.

30. In response to the steps taken by UNCDF in facing the primary challenge of resource mobilization, voluntary contributions displayed a slightly positive trend for the first time since 1996, increasing by 1 per cent in 2001. Efforts to increase non-core resources resulted in $5.5 million non-core contributions, an increase of 145 per cent over 2000. It is anticipated that an even higher amount will be raised in 2002. Despite the increase in core-contributions in 2001, total core resources have declined as a result of a reduction by approximately 50 per cent of miscellaneous income, attributable to a very low interest rate on accumulated liquidities in 2001. In applying the partial funding formula, UNCDF has reduced its new approvals downwards to $10.6 million from an original target of $20 million. As noted by many delegations at the annual session 2001 of the Executive Board, the level of UNCDF resources is falling far short of the demand for its investment and capacity-building services.

IV. Financial summary at the sub-goal level

31. UNCDF is introducing performance budgeting to its operations. In so doing, it hopes to increase the rigour by which it assesses its performance through the ROAR. As the ROAR 2000 is the first where such analysis is included, the steps are tentative and modest. Table 4 shows the estimated programme expenditure for each of the three sub-goals; the expenditure relates only to UNCDF investments in local governance and microfinance. Expenditure under the UNDP-funded Microstart programme is reported in the UNDP ROAR. It can be seen that expenditure for organization strengthening represents only 2 per cent of total programme expenditure.

Table 4: Programme expenditure per sub-goal

Sub-goal	Deliverables through	$ millions	Percentage
1	Local governance	31.7	85.7
2	Microfinance	4.6	12.4
	Subtotal	**36.3**	**98.1**
3	Organization strengthening	0.7	1.9
	TOTAL	**37**	**100**

32. UNCDF administrative expenditure in 2001 accounted for $5.98 million out of a total expenditure of $42.9 million. UNCDF has undertaken a financial approximation in 2002, which will be refined in future ROARs. Total administrative expenditure was apportioned according to estimates of staff time and total resources expended under each sub-goal; table 5 provides an estimate of the total expenditure per sub-goal. This approximation shows that total expenditure in support of organization strengthening, including management and related support functions comes to 8 per cent of total expenditure. This analysis conveys the fact that 92 per cent of total UNCDF expenditure is devoted, directly (project implementation) and indirectly (management, technical and administrative support, focused policy development and resource mobilization, etc.), to producing programme results on the ground.

Table 5: Total expenditure (programme and administrative) per sub-goal

Sub-goal	Deliverables through	2001 actual $ million	2001 %
1	Local governance	34	80
2	Microfinance	5.7	12
3	Organization strengthening	3.2	8
	TOTAL	**42.9**	**100**

V. Analysis of outcomes by strategic areas of support

A. Local governance

33. The first strategic area of support is 1.1: Promote a participatory development planning process at the local level. It has two outcomes.

Outcome 1.1.1: Improved capacity of local communities and civil society organizations to participate in the planning of local development. [Rating: Satisfactory – 82 per cent]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
1.1.1.a – Percentage of projects where community needs are assessed in a participatory manner	*16 projects*	*14 projects (87%) [Satisfactory]*	20 projects	19 projects (95%) [Satisfactory]
1.1.1.b – Percentage of projects where women participate in community needs assessments	*12 projects*	*10 projects (83%) [Satisfactory]*	16 projects	11 projects (68.8%) [Partially achieved]

1.1.1.c - Percentage of projects in which members of local development committees and women's groups are trained in participatory planning	*In 2000, indicator 1.1.1.c was defined as the percentage of communities regularly preparing annual investment plans. This indicator has been dropped as irrelevant. It has been reformulated as 1.2.1.a. below.*	16 projects	13 projects (81.3%) [Satisfactory]
Average score and assessment for 2001			**82% [Satisfactory]**

34. A cornerstone of the UNCDF approach is that local communities are involved in the decisions concerning their development. This continues to be an area of strength for UNCDF. The achievement in the conduct of community needs assessment was high in 2001 with 95 per cent of planned targets reached, compared to 87 per cent in 2000. In total, 20 projects in 16 countries reported on the participation of community members in participatory needs assessment exercises. Twelve countries reported actual participation figures totaling over half a million (567,025) community members. Sixteen projects in 15 countries reported on the participation of women in community-needs assessments. This represents an increase over 2000, when only 12 projects reported. The total number of women participating in needs assessment from the 12 countries that reported actual figures was 164,044 or 29 per cent of the reported total. Eleven projects attained their women participation targets in 2001 compared to 10 in 2000. However, as the number of projects reporting has increased, the performance rating is "partially achieved" (68.8 per cent). The fact that more projects are reporting on the participation of women is an indication that this issue is receiving the attention due to it. Work remains to be done. [Satisfactory: 82 per cent]

Outcome 1.1.2: Participatory planning processes are institutionalized at the level of local authorities. [Satisfactory: 79 per cent]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
1.1.2.a - Percentage of projects where local authorities approve local development plans	*14 projects*	*8 projects (57%) [Satisfactory]*	17 projects	14 projects (82.4%) [Satisfactory]
1.1.2.b - Percentage of projects where guidelines for elaborating local development plans exist and are complied with.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	11 projects	8 projects (72.7%) [Partially achieved]
1.1.2.c - Percentage of projects where local authorities' guidelines require that Local Development Plans derive from participatory planning exercise	*Not applicable (new indicator)*	*Not applicable (new indicator)*	6 projects	5 projects (83.3%) [Satisfactory]
1.1.2.d - Percentage of projects where local authorities define and apply transparent investment selection criteria	*Not applicable (new indicator)*	*Not applicable (new indicator)*	10 projects	10 projects (100%) [Satisfactory]
1.1.2.e - Percentage of projects where community representatives, including women, are involved in the approval of local development plans	*Not applicable (modified indicator)*	*Not applicable (modified indicator)*	12 projects	7 projects 58.3% [Partially achieved]
Average score and assessment for 2001				**79% [Satisfactory]**

35. A participatory planning process is institutionalized when it has become common practice or is mandatory. Institutionalization is therefore at the same time an outcome and a process, which takes time to achieve. The above indicators show that UNCDF projects have attained satisfactory success in institutionalizing participatory planning processes at the local levels. Not only did the number of projects reporting increased in 2001, but the number of projects successfully attaining their targets also increased. In all, of projects that reported on the actual number of local development plans approved, 274 plans were approved by local authorities in 11 countries. To provide a sense of the coverage, four projects reported that at least 2,556 villages were covered and three projects reported 5,437,220 people covered by the plans. In addition, the performance in ensuring transparency in the selection of local investments is particularly strong. [Satisfactory: 79 per cent]

36. *The second strategic area of support is 1.2: Promote sound and sustainable financing and financial management practices at the local level. It has two outcomes.*

Outcome 1.2.1: Financing mechanisms based on principles of good governance are institutionalized at the local level. [Partially achieved: 71 per cent]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
1.2.1.a - Percentage of projects where local authorities prepare annual investment plans.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	11 projects	11 projects (100%) [Satisfactory]
1.2.1.b - Percentage of projects where local authorities' accounts are audited by a national audit authority.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	5 projects	2 projects (40%) [Below expectations]
1.2.1.c - Percentage of projects with an improved compliance by local authorities with national financial, management and accounting procedures.	*7 projects*	*6 projects (86%) [Satisfactory]*	4 projects	3 projects (75%) [Satisfactory]
1.2.1.d - Percentage of projects where at least 75 per cent of local authorities meet project defined minimum conditions for fund access.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	10 projects	8 projects (80%) [Satisfactory]
1.2.1.e - Percentage of projects where local authorities staff are trained in accounting and financial management.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	15 projects	5 projects (33.3%) [Below expectations]
1.2.1.f - Percentage of projects where local authorities publicize budgets and expenditures (including indicative planning figures).	*6 projects*	*4 projects (67%) [Partially achieved]*	8 projects	8 projects (100%) [Satisfactory]
Average score and assessment for 2001				**71% [Partially achieved]**

37. Performances in this area are very strong in the preparation of annual investment plans, compliance with established accounting procedures, meeting of minimum performance conditions and, particularly, the transparency indicator – whether or not local authorities publicize their budgets and expenditures. Poorer performance is noted in the national audits of local accounts but it should be remembered that the implementation of national audits is hardly within the purview of the projects. An area of concern is the low number of projects meeting their performance targets in training local authorities' staff in accounting and financial management. Although it is encouraging that a large number of projects are reporting on this important outcome, the performance rating is below expectations. [Partially achieved: 71 per cent]

Outcome 1.2.2: Local authorities have improved access to sustainable funding sources. [Below expectations: 44 per cent]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
1.2.2.a - Percentage of projects where local authorities' local revenues increase.	*8 projects*	*3 projects (38%) [Below satisfaction]*	6 projects	3 projects (50%) [Partially achieved]
1.2.2.b - Percentage of projects where intergovernmental fiscal transfers to local authorities are stabilized or increase.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	6 projects	2 projects (33.3%) [Below expectations]
1.2.2.c - Percentage of projects where donors funding to local authorities increases.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	6 projects	3 projects (50%) [Partially achieved]
Average score and assessment for 2001				**44% [Below expectations]**

38. UNCDF LDP projects aim to ensure that the practices that are established under the project are sustainable once UNCDF funding ends. This is a particularly difficult area of work, given the poor resource conditions under which most LDPs operate. Intergovernmental fiscal transfers include all those from the central or provincial governments to be used by the local authorities for the financing of the local development. Of six projects reporting on this indicator, two reported satisfactory attainment of the targeted increases in positive fiscal transfers of 41 per cent and 21 per cent increase respectively. One project actually reported a decline in fiscal transfers of 25 per cent. Donor funding is the last of the elements that make up local government income. In most countries where UNCDF is active, donor funds are likely to account for the greatest share of investment budgets. Of six projects reporting on this indicator, half attained their donor investment targets satisfactorily. [Below expectations: 44 per cent]

39. *The third strategic area of support is 1.3: Develop local capacity to deliver and maintain basic infrastructure and public services on a sustainable basis. It has three outcomes.*

Outcome 1.3.1: Increased local capacity to deliver basic infrastructure and public services. [Partially achieved: 56.8 per cent]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
1.3.1.a - Percentage of projects where the number of basic infrastructure and public services at community level increases.	*22 projects*	*15 projects (68%) [Partially achieved]*	23 projects	12 projects (52%) [Partially achieved]
1.3.1.b - Percentage of projects achieving targets for km of roads rehabilitated or constructed.	*Not applicable (new indicator)*	*New Indicator*	10 projects	6 projects (60%) [Partially achieved]
1.3.1.c - Percentage of projects where micro-projects are completed within 125% of planned budget	*Not applicable (indicators merged)*	*Not applicable (Indicators merged)*	14 projects	10 projects (71%) [Partially achieved]
1.3.1.d - Percentage of projects where micro-projects are completed within 125% of scheduled timing.			10 projects	4 projects (40%) [Below expectations]
1.3.1.e - Percentage of projects where at least 75% of micro-projects are positively assessed for quality	*9 projects*	*8 projects (89%) [Satisfactory]*	10 projects	3 projects (30%) [Below expectations]
1.3.1.f - Percentage of projects where local authorities and the private sector are trained in the delivery of basic infrastructure and public services.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	21 projects	15 projects (71%) [Partially achieved]
Average score and assessment for 2001				**56.8% [Partial achieved]**

40. The commitment to increase local capacities to deliver basic infrastructure and public services necessitates sustained, long-standing and multipronged undertakings. Among them, initial training of a variety of local actors is a recurrent feature of UNCDF projects. Encouragingly, three out of four projects achieved their training targets in 2001. However, the outcome and impact of such training are still to materialize, as only 60 per cent of the projects achieved their targets regarding the provision of small-scale infrastructures (as compared to the 68 per cent target achievement rate of 2000). While most construction activities were complete within their planned budgets, only 40 per cent of projects reported completion of infrastructure in a timely manner (i.e., within 125 per cent of planned time) and only one out of three projects reached its target on technical inspection of the completed infrastructure. [Partially achieved: 56.8 per cent].

Concrete results and benefits

In 2001, at least 534,000 persons benefited from 1,656 newly constructed small-scale infrastructures. These include: 21 health centres; 4 clinics; 97 wells; 46 kindergartens; 184 primary schools; 47 springs; 82 drinking water supply schemes; 10 km of canals; 801 small-scale irrigation schemes; 38 grind mills; 18 tree nurseries;10 markets; 16 shops; 16 public buildings.

Outcome 1.3.2: Increased local capacity to maintain basic infrastructure and public services. [Partially achieved: 63 per cent]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
1.3.2.a - Percentage of projects where the physical infrastructure is being maintained two years after it was built.	*Not applicable (modified indicator)*	*Not applicable (modified indicator)*	5 projects	3 projects (60%) [Partially achieved]
1.3.2.b - Percentage of projects with micro-projects that have operation and maintenance plans and budgets prior to construction.	*14 projects*	*8 projects (57%) [Partially achieved]*	14 projects	7 projects (50%) [Partially achieved]
1.3.2.c - Percentage of projects that meet targets regarding km of roads rehabilitated or constructed that have maintenance plans and budgets.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	2 projects	2 projects (100%) [Satisfactory]
1.3.2.d - Percentage of projects where local authorities and the private sector are trained in the maintenance of basic infrastructure	*Not applicable (new indicator)*	*Not applicable (new indicator)*	14 projects	6 projects (43%) [Below expectations]
Average score and assessment for 2001				**63% [Partially achieved]**

41. The 1999 evaluation results report identified operation and maintenance as a recurrent problem, and efforts are ongoing to improve performance in this area. In 2001, at least 297 operation and maintenance committees were either established or supported, and at least 515 persons (operation and maintenance committees members, Local Authorities staff, private sector employees) trained in infrastructure operation and maintenance. Sixty two per cent of the

constructed small-scale infrastructure, on average, had operation plans prior to construction and three out of five projects reported that infrastructure constructed two years previously was still being well maintained. Although this is an improvement over 2000, when no projects had targets, infrastructure operation and maintenance undoubtedly remain a corporate priority. [Partially achieved: 63 per cent].

Outcome 1.3.3: Local communities are empowered to hold local authorities accountable for the delivery of basic infrastructure and public services. [Satisfactory: 84 per cent]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
1.3.3.a - Percentage of projects where local authorities have put in place and are using consultation mechanisms.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	12 projects	8 projects (67%) [Partially achieved]
1.3.3.b - Percentage of projects where local authorities are bound by rules that ensure that bidding and contracting is transparent and that the processes are open to public review.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	7 projects	6 projects (86%) [Satisfactory]
1.3.3.c - Percentage of projects where local communities have access to public spending records.	*6 projects*	*4 projects (67%) [Partially achieved]*	3 projects	3 projects (100%) [Satisfactory]
		Average score and assessment for 2001		**84% [Satisfactory]**

42. Transparent bidding and contracting processes and public access to public finance information are key elements of good governance practices. The availability of local mechanisms for dialogue and consultation will help to ensure sustained popular participation in decision-making processes and increase local authorities' accountability towards their constituencies. UNCDF projects have made some good progress, although limited in scope, in these three areas in 2001. [Satisfactory: 84 per cent].

43. *The fourth strategic area of support is 1.4. Promote productive livelihoods opportunities through sustainable local management of natural resources. It has one outcome.*

Outcome 1.4.1: Improved capacity of the local authorities and the communities to manage the natural resource base in a sustainable manner. [Partially achieved: 60 per cent]

Indicators	*2000Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
1.4.1.a - Percentage of projects where local authorities plan and invest in relating to natural resource management.	*6 projects*	*3 projects (50%) [Partially achieved]*	8 projects	5 projects (62%) [Partially achieved]
1.4.1.b - Percentage of projects where local authorities control and regulate access and use of natural resources.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	5 projects	3 projects (60%) [Partially achieved]
1.4.1.c - Percentage of projects with initiatives relating to natural resource management supported by two or more local authorities.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	5 projects	2 projects (40%) [Below expectations]
1.4.1.d - Percentage of projects where natural resource management user groups are established and functional.	*Not applicable (modified indicator)*	*Not applicable (modified indicator)*	7 projects	5 projects (71%) [Partially achieved]
1.4.1.e - Percentage of projects where households derive their income from new on-farm or off-farm activities.	*0 projects*	*0 projects [No rating]*	12 projects	8 projects (67%) [Partially achieved]
		Average score and assessment for 2001		**60% [Partially achieved]**

44. Five to eight projects have sought to increase local capacity to manage the natural resource base in a sustainable manner. At the local authority level, projects promoted the development of land-use plans or local development plans that would adequately address environmental and natural resource management issues while encouraging inter-communal planning. At the community level, projects have worked to establish or strengthen natural resource management user groups while engaging community members in new income-generating activities to diversify rural economies and decrease pressure on fragile natural resource bases. In 2001, projects reported at least 94,380 persons directly benefiting from UNCDF activities in project areas and at least 370 hectares of land rehabilitated. Although limited and partial, progress is noted. [Partially achieved. 60 per cent].

45. *The fifth strategic area of support is 1.5: Advocate for national policies supporting decentralization, and for replication of pilot programmes. It has two outcomes.*

Outcome 1.5.1: Improved national policy and regulatory frameworks for decentralization and strengthened local government. [Partially achieved: 52 per cent]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
1.5.1.a - Percentage of projects where national policy directions on decentralization are influenced by UNCDF programmes	*Not applicable (new indicator)*	*Not applicable (new indicator)*	7 projects	3 projects (42.9%) [Below expectations]
1.5.1.b - Percentage of projects where statutory and legal framework are influenced by UNCDF programmes	*7 projects*	*7 projects (100%) [Satisfactory]*	4 projects	4 projects (100%) [Satisfactory]
1.5.1.c - Percentage of projects where the regulatory framework is influenced by UNCDF programmes	*9 projects*	*6 projects (67%) [Partially achieved]*	5 projects	3 projects (60%) [Partially achieved]
1.5.1.d - Percentage of projects where norms, systems and procedures at the local level reflect UNCDF lessons learned.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	9 projects	3 projects (33.3%) [Below expectations]
Average score and assessment for 2001				**52% [Partially achieved]**

46. UNCDF has neither the size nor the resources to make a significant impact on poverty on its own. Therefore, its aim is explicitly to demonstrate in a few localities new approaches and methodologies that will be included in national policy and emulated by other donors. Considering the difficulty of attaining outcomes in this area, UNCDF performed reasonably well. Overall, 12 out of 17 projects reported some success in influencing policy at various levels. [Partially achieved: 59 per cent]

Outcome 1.5.2: Best practices of UNCDF pilot projects are replicated by other donors [Partially achieved: 50 per cent]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
1.5.2.a - Percentage of projects where UNCDF support to local authorities is replaced or increased through co-financing by other donors.	*5 projects*	*4 projects (80%) [Satisfactory]*	2 projects	2 projects (100%) [Satisfactory]
1.5.2.b - Percentage of projects where UNCDF programmes are replicated outside UNCDF programme areas by other donors.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	2 projects	1 project (50%) [Partially achieved]
1.5.2.c - Percentage of projects where elements of UNCDF programme methodology have been adopted by other donors.	*Not applicable (new indicator)*	*Not applicable (new indicator)*	1 project	0 projects (0%) [Below expectations]
Average score and assessment for 2001				**50% [Partially achieved]**

47. UNCDF has begun work in this sector only relatively recently and therefore not many projects are ready to report on results in donor replication. The easiest form of replication to track occurs when other donors commit to expand on a UNCDF project, usually by enlarging the geographic area covered and sometimes by increasing the volume of funding. Two projects anticipated donor replication in 2001 and both satisfactorily attained their targets for new support to their local authorities. A second mode of replication involves donors adopting UNCDF approaches elsewhere in the country. Two projects reported on their results under this indicator, of which one was successful.

Replication in Mali

Since 1994, with the support of the Belgian Survival Fund, UNCDF has helped one of the poorest areas in Mali (Seno Gondo in the Mopti region) to implement local investments that address local challenges; food security, basic social and economic infrastructure and natural resource management. In 1999, with UNDP and continued support from the Belgian Survival Fund, UNCDF began piloting a decentralization programme covering 27 communes in the Timbuktu region.

48. The third identified form of replication concerns the partial adoption by other donors of UNCDF project design, strategy, methodology or approach but not enough for the new project to be considered a true replica. One

project reported on work in this area; it managed to secure 40 per cent of anticipated donor support for micro-projects in the programme communities. [Rating: Partially achieved 50 per cent]

B. Microfinance

49. *The first strategic area of support for microfinance is 2.1: Support an increase in assets of the poor. It has one outcome.*

Outcome 2 1.1: The poor, especially women, have greater access to microfinance services. [Partially achieved: 70%]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
2.1.1.a - Percentage of microfinance institutions reaching targets regarding number of active borrowers.	27 MFIs	26 MFIs (96%) [Satisfactory]	27 MFIs	19 MFIs (70.4%) [Partially achieved]
Average score and assessment for 2001				**70% [Partially achieved]**

50. A total of 70.4 per cent of MFIs attained their targets in active borrowers in 2001, with 11 of them exceeding their targets (partial achievement). Measured in terms of the actual number of active borrowers reached, the performance is more satisfactory – of a total target of 57,316 active borrowers, the MFIs managed to reach 53,598 active borrowers or 93.5 per cent of their combined targets (the average loan size of the 27 MFIs is $208). All the MFIs lend to women, ranging from a low of 19.9 per cent to 100 per cent of their active borrowers; totaling 22,142 women, or 41.3 per cent of total active borrowers reached. In addition, all but one of the reporting MFIs provided financial services for savers, reaching a total number of 107,069 active savers. As the revised reporting methodology does not require MFIs to set annual targets for performance relating to women borrowers and active savers, these indicators are reported but not rated. [Partially achieved: 70 per cent]

51. *The second strategic area of support for microfinance is 2.2: Promote the development of sustainable microfinance institutions. It has three outcomes.*

Outcome 2.2.1: Microfinance institutions are financially viable and provide quality services. [Partially achieved: 56%]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
2.2.1.a - Percentage of MFIs reaching targets regarding operational self-sufficiency rates	*16 MFIs*	*14 MFIs (87.5%) [Satisfactory]*	27 MFIs	16 MFIs (59.3%) [Partially achieved]
2.2.1.b - Percentage of MFIs reaching targets regarding portfolio at risk	*Not applicable (new indicator)*	*Not applicable (new indicator)*	26 MFIs	11 MFIs (42.3%) [Below expectations]
2.2.1.c - Percentage of MFIs reaching targets regarding portfolio outstanding	*Not applicable (new indicator)*	*Not applicable (new indicator)*	27 MFIs	18 MFIs (66.7%) [Partially achieved]
Average score and assessment for 2001				**56% [Partially achieved]**

52. The Special Unit for Microfinance works mainly with new and expanding MFIs where operational and financial self-sufficiency are not goals achievable in the short-term. It is important to track the progress of these MFIs towards operational and financial self-sufficiency, and these three indicators are useful for that purpose. Overall, it is encouraging to note the dramatic increase of MFIs that have begun reporting on these indicators as they are useful not only for monitoring purposes but also serve as critical management tools for the MFIs. The number of MFIs reporting on them has increased to 27, almost double the number (14) that reported on operational self-sufficiency in 2000. It should be recognized that the increase of MFI partners now tracking their operational self-sufficiency is a strong indication in itself that the MFIs are committed towards best practice and sustainability in microfinance operations. This is also an indication that MFIs are taking an important step towards incorporating a more transparent reporting process. As noted below, this increase disguises somewhat the good performance of the MFIs in 2001. Although the financial self-sufficiency indicator monitored in 2000 as outcome indicator 2.2.1b has been discontinued, 24 MFIs have reported on this and the same number of MFIs (six) have reported self-sufficiency ratios above 100 per cent while eight MFIs were able to cover more than half of their adjusted operating expenses with operating income, up from seven last year.

53. *The third strategic area of support for microfinance is 2.3: Advocate for an enabling environment for sustainable microfinance activities. It has one outcome.*

Outcome 2.3.1: Countries have improved their enabling environment for supporting the development of microfinance. [Satisfactory: 100%]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
2.3.1.a - Percentage of projects having lead to institutional change in the microfinance environment	*1 project*	*1 project (80%) [Satisfactory]*	1 project	1 project (100%) [Satisfactory]
Average score and assessment for 2001				**100% [Satisfactory]**

54. In 2000, one project (supporting five MFIs) attempted to produce institutional change through capacity-building initiatives and by supporting linkages between MFIs and the formal banking sector. In 2001, the same project was again successful in influencing the microfinance environment. It contributed to the establishment of a national policy for microfinance, development and application of norms and decrees by the Financial Banking Security Commission and continued promotion of the linkage between the microfinance and commercial banking sectors, promoting best practice and engaging the Government in a dialogue on key policy issues.

C. Organization strengthening

55. *The first strategic area of support for organizational strengthening is 3.1: Promote excellence in the planning and implementation of local development programmes and microfinance operations.* As several outcome indicators under this sub-goal are qualitative in nature, an overall rating is given rather than an overall performance score.

OUTCOME 3.1.1: UNCDF will have moved from policy refinement to an emphasis on operational impact. [Satisfactory]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
3.1.1.a - Annual programme targets are met: (a) Expenditures (b) Approvals	*$40 million* *$25 million*	*$38 million (97%)* *$19.2 million (77%)* *[Satisfactory]*	$35M $20M (adjusted to US$10.6M)	$36M (102%) $10.6M (100%) [Satisfactory]
3.1.1.b - Evaluations show greater levels of impact	*1999 evaluation reports shows impact*	*UNCDF is "effectively enhancing the well-being of the poor" [Satisfactory]*	2000 evaluation repoits shows impact	"UNCDF interventions contribute significantly to the well-being of the poor" [Satisfactory]

3.1.1.c - Action plan 2000 targets are respected	*See Action plan 2000 for Recommendations 1, 2 and 7*	*Recommendations 1 and 2 achieved and Recommendation 7 ongoing and will be finalized in 2001 [Satisfactory]*	See Action Plan 2000 for Recommendations 3, 5, 6, 7, 8, 9, 10, 11	Recommendations 9, 10 – 100% Recommendations 3, 5, 7, 11 –> over 75% Recommendations 6, 8 – > over 50% [Satisfactory : 75%]

56. For 2001, UNCDF effectively adhered closely to its programme expenditure targets, staying close to the $40 million average over the past few years. However, approval targets had to be adjusted downwards (as explained in paragraph 34). Unless core and non-core resources increase significantly, the gap between the demand for UNCDF investment and capacity-building services and its ability to meet them will continue to widen. In affirmation of UNCDF policy direction, the external evaluations of 16 projects were reviewed in the 2000 evaluation results report (published in 2001) and it was confirmed that UNCDF interventions contribute significantly to the well-being of the poor while providing strong support for UNCDF overall local development strategy. It was also found that most of the projects evaluated were successful in enhancing the sustainability of the local institutions. The follow-up to the recommendations of the 1999 external evaluation continued with good progress as 9 out of 11 recommendations are either completed or more than 75 per cent completed. Remaining tasks are in developing and implementing a competency development strategy and improving on financial and cost-effectiveness reporting.

OUTCOME 3.1.2: UNCDF will have maintained quality assurance through skilled staffing, improved elements of the project cycle and continuous learning through monitoring and evaluation. [Satisfactory]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
3.1.2.a - Increase in number of requests for UNCDF advisory services	*3*	*1 for Local Governance Unit and 23 for Special Unit for Microfinance* *[Exceeded expectations]*	5 for SUM	SUM – 19 (380%) [Exceeded expectations]
3.1.2.b - Average time for project formulation	*12 months*	*12 months (100%) [Satisfactory]*	12 months	9 months (125%) [Exceeded expectations]
3.1.2.c - Programmes formulated according to new guidelines	*Guidelines drafted and tested in 2 pilots*	*Guidelines prepared and pilots done in MAG and NIC* *[Satisfactory]*	- Formulation guidelines tested and finalized - Natural resource management guidelines developed	- Guidelines tested in 7 countries and finalized (100%) - Natural resource management guidelines finalized (100%) [Satisfactory]
3.1.2.d - % of new projects with an exit strategy for UNCDF	*4 projects*	*3 projects (75%) [Satisfactory]*	projects	3 projects (100%) [Satisfactory]
3.1.2.e - Dissemination of lessons learned and best practices	*Strategy for lessons learned and best practices prepared and put into operation*	*Draft strategy approved* *[Satisfactory]*	- Policy impact and replication strategy defined and disseminated - Organize international exchanges	- Policy impact and replication prepared, approved and disseminated (100%) - Cape Town conference held (90%) [Satisfactory]

57. The Special Unit for Microfinance (SUM) has made progress towards its target of satisfying demands for external advisory services. While the Local Governance Unit (LGU) is receiving an increasing number of requests for technical advice in decentralization and local governance, it is yet to formalize the extent and range of services to be offered. The development of a cost-recovery strategy for technical advisory services in both local governance and microfinance is an important task for 2002. UNCDF put into practice the new project formulation guidelines for two projects, requiring more extensive preparatory work during the conception stage. Nevertheless, both began formulation and were approved in an average of nine months. This is strong evidence in support of the new formulation approach as well as the effectiveness of the operational unit (in this case LGU) in implementing it. In addition, all new projects now have an explicit exit strategy. Both SUM and LGU are doing increasingly well in publishing their experience in the field and their reflections of this practice in relation to the wider debates in international development. Of particular interest

is the UNCDF sponsorship and organization of the Cape Town symposium on decentralization and local governance in Africa, in partnership with UNDP, the Ford Foundation, the Government of Japan, and the University of Western Cape. In microfinance, the Global Conference on Young and Promising MFIs was held in partnership with UNDP. Knowledge management and knowledge-sharing is a growth area for UNCDF and will both highlight and enhance its aspirations towards technical excellence in microfinance and local governance.

OUTCOME 3.1.3: UNCDF will have maximized its comparative advantages. [Satisfactory]

Indicators	***2000 Targets***	***2000 Achievements***	**2001 Targets**	**2001 Achievements**
3.1.3.a - Number of programmes/projects with replication partners on board to start-up	*2 projects*	*1 project (50%)* *[Partially achieved]*	2 projects	Eritrea – Belgian Survival Fund Nicaragua – World Bank (100%) [Satisfactory]
3.1.3.b - Best practices regarding policy impact are documented.	*Documented via West Africa workshop and policy paper*	*9 cases documented* *[Satisfactory]*	- Policy impact and replication strategy paper finalized - Microfinance best practices guide published	- Policy impact and replication strategy paper finalized and disseminated - Supporting Women's *Livelihoods* – A Guide to Best Practices published (100%) [Satisfactory]
3.1.3.c - Number of programmes with strategies for policy impact and replication.	*Technical and programme missions review strategies for Policy impact and replication*	*All missions included reviews of strategies for Policy impact and replication in terms of reference* *[Satisfactory]*	2	2 (100%) [Satisfactory]
3.1.3.d - Increased networking and growth in number of partnerships.	*3 partnerships*	*5 partnerships (167%)* *[Exceeded targets]*	- Memorandum of Understanding between SUM and Bureau for Development Policy (UNDP) - Memorandum of Understanding between LGU and Bureau for Development Policy (UNDP); - Memorandum of Understanding between SUM and African Development Bank	- Signed - Under discussion - Signed (> over75%) [Satisfactory]

58. All projects approved in 2001 have replication as part of the programme strategy, with important replication partners, the Belgian Survival Fund and the World Bank, involved at formulation. Also, it is now established practice to screen new projects to ensure they have explicit strategies for policy impact and replication. In the area of best practice, one of the expressed purposes of SUM is to mainstream best practice within the UNDP group. In 2001, two workshops were held in partnership with Concentrative Group to Assist the Poorest and UNDP in Mongolia and Cambodia and the Global Conference on Young and Promising MFIs was held. A microfinance distance learning programme was piloted. The documentation of best practice is one area where SUM has had success (the publication of *Supporting Women's Livelihoods – A Guide to Best Practices*). Partnerships, in the sense of co-financing, are now becoming the norm in the new local governance portfolio. Partnership with other donors in the deployment of technical resources has now been formalized between UNDP and SUM and is being pursued by LGU, for ratification in early 2002. Partnership for general resource mobilization has been pursued. In addition, an agreement with the Programme for Municipal Development (Cotonou) was signed and a preliminary agreement of partnership with the Centre for Development Research (Denmark) was established. Developing links with academic and research institutions remains in its infancy except where a focused product is the objective – such as the Cape Town symposium on decentralization and local governance in Africa; a success in itself; and specific research projects such as the local governance research initiative in collaboration with the Woodrow Wilson School of Public and International Affairs, Princeton University.

59. *The second strategic area of support is 3.2: Promote sound financial management of the organization and diversify the funding base.*

Strategic area of support 3.2: Promote sound financial management of the organization and diversify the funding base.

OUTCOME 3.2.1: UNCDF will have become more efficient and cost-effective through improved tracking and analysis of its finances. [Partially achieved]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
3.2.1.a - UNCDF reports on costs such as technical, supervisory, evaluation, missions on a yearly basis.	*Financial information system installed in UNCDF and options for supplementary reporting reviewed.*	*Financial information system installed, options reviewed and study on monitoring and evaluation costs undertaken [Partially achieved]*	Performance- based budgeting introduced	UNCDF able to report on overall expenditures under each ROAR sub-goal. [Partially achieved]
3.2.1.b - Percentage of administrative costs	*$5.4 million or 13.5%*	*$5.6 million or 14.7% (96%) [Satisfactory]*	$5.6 million or 16%	$5.98 million or 16.7% (95.6%) [Satisfactory]
3.2.1.c - Amount of savings	*$5 million*	*$12.8 million (142%) [Exceeded expectations]*	$3 million	$3 million [Satisfactory]
3.2.1.d - Changes made as a result to improved tracking	*Improved project budget planning and portfolio clean-up*	*Results-based budgeting introduced, $2.8 million savings due to portfolio clean-up*	Results-based budgeting operational	Projects were asked to link expenditures to outputs and outcomes but only few responded. [Below expectations]

60. UNCDF has kept close to its target administrative cost delivery ratio of 16 per cent and is committed to developing performance budgeting as part of its operations. In 2001, an attempt was made to estimate overall expenditures under each ROAR sub-goal. When the portion of administrative cost dedicated to technical support and programme operations on the ground is apportioned accordingly, the ratio is actually below 10 per cent. It is anticipated that with the introduction of the new management information system currently on trial in seven countries, UNCDF will be better able to determine how to apportion its budgets for programme and administrative support and, thus better track its performance in terms of cost-effectiveness and efficiency.

OUTCOME 3.2.2 UNCDF will have developed a culture of resource mobilization based on measurable performance, efficiency and value for money. [Partially achieved]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
3.2.2.a - All staff have a role in resource mobilization	*Donor database developed and strategy finalized*	*Resource mobilization information system established and strategy being finalized [Satisfactory]*	Resource mobilization information system and resource mobilization strategy operational	Resource mobilization task forces established and operational in both LGU and SUM. (100%)
3.2.2.b - Percentage of increase in non-core funding	*$5 million or a 127 per cent increase*	*$3.8 million or a 72 per cent increase (57%) [Partially achieved]*	$8 million or a 210% increase	$5.5 million or a 144% increase (68.8%) [Partially achieved]

61. This is now a perennial challenge and one to which all staff are increasingly committed. Resource mobilization task forces have been established in both LGU and SUM to develop resource mobilization strategies for their respective niche areas. At the same time, non-core funding has been emphasized as a critical area of growth and a modest target was set and partially achieved. In total, $5.5 million was raised in non-core funding, an improvement of 145 per cent over 2000. The fact that the two new Eritrea and Nicaragua LDPs had replication partners on board at conception is an indication that staff members have taken up the challenge of resource mobilization, in any form, seriously.

OUTCOME 3.2.3 UNCDF will have diversified its resource base and increased the number of donors. [Satisfactory]

Indicators	*2000 Targets*	*2000 Achievements*	2001 Targets	2001 Achievements
3.2.3.a - Percentage of increase in core funding.				
• Donors	*16*	*18 (113%)*	2 new donors	2 new donors
• Contributions	*$2 million*	*$23.9 million (95.6%)*	$26 million	$24.3 million (93.5%)
• Core	*$38 million*	*$30.3 million (80%) [Partially achieved]*	$30 million	$26.7 million (89%) [Satisfactory]

62. After a steady decline in the voluntary contributions of UNCDF since 1996, this negative trend was reversed for the first time in 2001 with a slight increase of 1 per cent to $24.3 million. Five members of the Development Assistance Committee of the Organization for Economic Operation and Development (OECD/DAC) donors increased their contributions in local currencies and UNCDF enlarged its support base with two new OECD/DAC core donors. Despite this positive development, the current level of UNCDF core contributions stands in contrast to the appreciation expressed by both programme and donor countries for the concrete results produced on the ground in its areas of concentration: local governance and microfinance.

VI. Lessons learned in results-based management

63. In March 2001, the decision to revise the UNCDF SRF, particularly for Sub-goal 3 was taken, drawing on lessons learned from the first ROAR exercise. For this purpose, a working group was established and the UNCDF SRF was revised. New user-friendly guidelines were consequently developed.

64. In May 2001, UNCDF organized three regional training workshops in Benin, Nepal and Uganda, which were attended by all field-based project officers and selected project staff. The purpose of these training events were:

- Detailed presentation of the revised UNCDF SRF and deepening of the staff understanding of each SRF Indicator, with subsequent endorsement of the revised UNCDF SRF;
- Introduction of the new results-based management (RBM) methodology and tools (see annex for details); annual work plans replaced target tables with a particular emphasis on new planning and reporting tools.

65. During the preparation of the 2001 ROAR, many areas of improvements were noted as compared to 2000: (a) improved responsiveness of project staff and improvement in meeting deadlines for submission; (b) improved quality of data provided; (c) improved understanding of the SRF indicators and of the RBM methodology in general.

66. Although it had been intended that 2001 targets should be set in January, they could not be set before July since time was needed, following the finalization of the 2000 ROAR, to revise the SRF, refine the RBM methodology and hold the training workshops. However, the fact that 2001 targets were set in July constitutes an improvement as compared to 2000, since 2000 targets had been set in November 2000 and were consequently distorted upwards.

67. In 2002, all 2002 annual work plans were prepared in January. This constitutes a major change as compared to the two previous years and a major improvement in the RBM methodology and also indicates that UNCDF RBM capacities have been strengthened. Although a drop in target achievement rates seems consequently unavoidable in the 2002 ROAR, all staff have welcome the opportunity to match the planning cycle with the RBM.

ANNEX: The SRF/ROAR methodology

The strategic results framework 2000–2003 was developed in 2000 in consultation with all UNCDF staff and partners, including field staff, and approved by the Executive Board in June 2000. Building on the 2000 experience and feedback from project staff, the SRF has been revised through a consultative process; some indicators were dropped while new ones were added. At the same time, new results based management tools - the annual work plan and the annual work plan report - were introduced. These facilitated the preparation of the 2001 ROAR. The annual work plan effectively combines planning, monitoring, management and reporting tools in order to reduce project workload and improve efficiency.

At the beginning of each calendar year, annual outcomes and outputs are identified for programmes and projects (with specified targets and budgets) and linked with SRF indicators (if and when relevant). These are reported in the annual work plan. At the end of the year, annual achievements are compiled and reported through the annual work plan reports. Programme managers, monitoring and evaluation technical advisors and the Evaluation Unit screen the reports rigorously to ensure compliance with the SRF and that targets are realistic set. To validate the data submitted, programme managers and the Evaluation Unit compare field technical reports and external project evaluation conclusions with the annual work plan reports of those projects.

Performance is rated according to target achievement rates for each project reporting under a specific SRF outcome indicator. Assessing the rate of achievement using common indicators facilitates the comparison of projects that measure outcomes with different units. The categories were defined as follows:

1.	Over 100%:	Exceeded targets
2.	75% - 100%:	Satisfactory
3.	50 - 74%:	Partially achieved
4.	Below 50%:	Below expectations

Using this rating system, the assessment of performance under each SRF outcome indicator is calculated by dividing the total number of projects judged "satisfactory" and "exceeded targets" by the total number of projects reporting under the indicator. This methodology enabled UNCDF to determine performance for each indicator across projects. For example:

PROJECT	TARGET	ACHIEVEMENT	PERCENTAGE	CATEGORY
Project 1	100 villages	80 villages	80%	Satisfactory
Project 2	50 communes	25 communes	50%	Partially ...
Project 3	200 villages	210 villages	105%	Exceeded ...
Project 4	2 districts	2 districts	100%	Satisfactory
Overall assessment of indicator			3 of 4 projects attain 75% or more of their targets	Satisfactory

Following the assessment of performance by SRF indicator, the assessment of overall progress towards an outcome is calculated by dividing the number of projects performing satisfactorily or above expectations by the total number of projects reporting. The review of performance per indicator is combined with other reports and evaluations to corroborate the rating. A "satisfactory" assessment means that UNCDF has progressed acceptably towards the achievement of the outcome. For example:

Outcome indicator	Total number Projects reporting	Number of projects satisfactory or above
Indicator 1	4	3 (75%)
Indicator 2	16	15 (93.8%)
Indicator 3	10	7 (70%)
Overall assessment of progress towards outcome	30	25 (83.3%) [Rating: Satisfactory]

Finally, the assessments of outcomes are aggregated under each sub-goal and analyzed to determine the Fund's overall performance.

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Annual report of the Administrator for 2001, including the results-oriented annual report (ROAR)*

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* The collection and analysis of current data required to present the Executive Board with the most up-to-date information has delayed submission of the present document.

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Part one

1. The annual report for 2001 responds to the request by the Executive Board for a new, consolidated document that provides information on the reform and development results of the organization during the year. The report is comprised of three distinct parts: part one outlines key reform initiatives achieved during the course of 2001; parts two and three present important development results achieved by the organization. Part two specifically addresses each of the key goals identified in the strategic results framework while part three delivers a more in-depth analysis of the three sub-goals selected by the Executive Board.

I. Policy and focus

2. In his Business Plans 2000-2003, the Administrator envisages the organization as an articulate advocate for the needs of developing countries and a trusted advisor and partner in providing innovative development services, solutions and capacity development. UNDP will respond to country-level demand while greater focus will enable a critical mass of expertise to be deployed in selected practice areas. UNDP responses contribute to the implementation of the Millennium development goals (MDGs) and in particular the commitment to halve poverty by 2015.

3. This vision was translated into concrete results in 2001 throughout UNDP activities. In Brazil, for example, UNDP saw how advocacy, policy and project could be linked in a powerful partnership with the Government aimed squarely at alleviating the plight of the very poor through support for the Bolsa Escola programme. The programme addresses the low level of school enrolment in many of the country's poorest families – a factor perpetuating poverty across generations that national human development reports have long highlighted. This issue became a focus of political attention thanks to the report for Brazil. The challenge was to determine how to target small incentive payments at mothers as a reward for enrolling their children in school. Building on the success of state-level pilots, the Government has launched the national Bolsa Escola programme, which explicitly targets districts with the lowest human development index. The programme provides a key example of how operationalizing human development concepts can help to reduce poverty.

4. The result has been the enrolment of 10 million of the poorest children in Brazil – one third of total enrolment. The Government has thus asked UNDP to draw on its expertise to play the key role of monitoring and evaluating progress. The Bolsa Escola programme is now being considered for replication – in the spirit of South-South cooperation – in Mozambique.

5. In Burkina Faso, UNDP has helped to transform the national response to HIV/AIDS by focusing on its strengths in government capacity-building, coordination and resource mobilization. Working with the Government and United Nations country team partners, UNDP has helped to create a new national HIV/AIDS commission attached to the Office of the President and to formulate a powerful, multisectoral strategic plan to tackle all aspects of the challenge. To help to mobilize resources, UNDP supported a round-table meeting that secured generous donor support to implement the plan. One key result is that Burkina Faso is now one of eight countries in the Africa region to have integrated HIV/AIDS into the poverty-reduction strategy paper in a meaningful way and one of three countries that has taken a formal decision to allocate part of its enhanced debt-relief savings for highly indebted poor countries to HIV/AIDS.

6. In Gujarat, India, UNDP tested its new vision of ensuring that vulnerability is mitigated and helping to bridge the gap between relief and reconstruction. The organization demonstrated its ability to coordinate donor, civil society and United Nations assistance effectively while simultaneously utilizing a wide range of specialized professionals under the aegis of the United Nations Volunteers. UNDP worked closely with civil society partners in Kutch, the worst-hit district. Through them, UNDP helped to build a set of new, earthquake-resistant houses using local materials, labour and design that have been widely adopted and are being built in some 300 villages. UNDP also provided direct capacity-development support to the State Disaster Management Authority of the Government of Gujarat while helping to coordinate the overall relief process through enhanced information management and processing.

7. Achieving the new vision of UNDP captured in these three examples requires the establishment of a global knowledge-management system. The institutional response is visible in the establishment of nine subregional resource facilities (SURFs) in Addis Ababa, Bangkok, Beirut, Bratislava, Harare, Katmandu, Port-of-Spain, Dakar and Panama. The purpose of the SURFs is to provide timely, high-quality substantive support to all country offices, thereby strengthening the position of UNDP as a trusted partner of programme countries in overcoming development challenges. SURFs thus provide policy advisory services to programme countries, technical backstopping to country offices, access to substantive programme-related information, networking and information-sharing, and identification, documentation and dissemination of best practices in UNDP focus areas.

8. A recent survey of the performance of the SURFs and the 37 existing knowledge networks on sub-practice areas from microfinance to community governance shows a growing rate of client satisfaction as country offices have begun to share knowledge and expertise systematically on what works and what does not – not just across their region but worldwide. The building of this expert network has facilitated and extended the organization's expert capacity and outreach. Almost 1 500 staff (over 80 per cent from the field) have joined the knowledge networks in the first two years of their existence. In 2001, there were over 1 400 referrals fielded by the SURFs and networks, with an average response time of under three days. The rate of satisfaction for country offices on the whole is 3.6 stars on a scale of 1 to 5.

9. With regard to conflict and post-conflict situations, the Administrator created the Bureau for Crisis Prevention and Recovery in 2001 to respond better to the demands placed on the organization and to allow UNDP to play its role fully in partnership with international and national actors. In particular, the establishment of the new bureau has created an institutional framework to ensure proactive and responsive systems for handling special development situations.

10. Advocacy is central to UNDP activities through policy advice and the promotion of dialogue on key global and national issues. As for previous year, the *Human Development Report 2001* contributed to the international debate on development issues. With UNDP support, national human development reports take the *Report*'s approach to the national level and promote the mainstreaming of the human development concept in national policy dialogue.

II. Partnerships

11. The establishment of the Bureau for Resources and Strategic Partnerships in 2000 marked a new commitment to engaging in effective partnerships with key constituencies. Policy guidance notes, tools for collaboration, outreach campaigns and procedures for engagement were developed and put in place. These facilitated the building of strategic partnerships with the United Nations system, international financial institutions, bilaterals, civil society organizations, foundations and the private sector.

12. One of the most notable partnership developments with the United Nations system in 2001 was the compact agreed between the United Nations Department of Economic and Social Affairs and UNDP for the mutual reinforcement of their distinct but complementary roles, particularly in pursuing the Millennium development goals. The compact was signed on 9 April 2002. Cooperation was strengthened with the regional commissions on the preparatory work for the International Conference on Financing for Development, held from 18 to 22 March 2002 in Monterrey and the World Summit on Sustainable Development, to be held from 26 August to 4 September 2002 in Johannesburg. The creation of the New Partnership for African Development has also led to tighter cooperation between the United Nations Economic Commission for Africa and UNDP. The role of UNDP as manager of the multi-donor Trust Fund for the Integrated Framework and its substantive cooperation with the United Nations Conference on Trade and Development, the World Trade Organization and other partners have given the organization a high profile on the development agenda set out at the ministerial conference held in Doha, Qatar in November 2001. The International Labour Organization and UNDP are developing a joint programme on employment and poverty via a strategic partnership based on joint policy-oriented research, country-level partnerships and cooperation through the SURF network on the national human development reports and the MDG reports.

13. Partnerships with international financial institutions strengthened and expanded into new areas in 2001. Cooperation with the Bretton Woods institutions, in particular the World Bank, developed significantly as the organizations worked together on poverty-reduction strategies. UNDP is working with Governments and the World Bank and contributing to the substance and process of the PRSP in over 60 countries. The results-oriented annual report (ROAR) 2001 (see part two of the present report) provides more detailed information on the UNDP contribution to the poverty-reduction strategy papers. As part of a partnership initiative aimed at developing UNDP cooperation with regional development banks, the African Development Bank and UNDP have developed much closer dialogue and have jointly mapped concrete areas for partnership at the institutional and country level. During 2001, UNDP signed two formal agreements in the form of Memorandums of Understanding with the African Development Bank and the Asian Development Bank. Negotiations were started with the Inter-American Development Bank (IDB) to reach a legal agreement regarding UNDP support to the implementation of IDB-financed projects.

14. UNDP continued to strengthen its partnership with the United Nations Foundation, which has provided over $30 million in funding since 1998 for programming in areas such as HIV/AIDS, energy and environment, and human rights. The organization has focused increasingly on promoting South-South cooperation, using information and communication technology (ICT) for development and engaging with civil society and private sector partners. The Soros Foundation and UNDP have been partnering in a number of regions and on programme themes ranging from a national governance programme in Guatemala focused on widening the participatory process to an ICT development grant programme in Mongolia focused on expanding the use of ICT for poverty reduction. Another example of partnership with foundations is the collaborative work of the Markle Foundation and UNDP on the Global Network Readiness and Resource Initiative and the establishment of the ICT Trust Fund, offering regional- and national-level assistance to develop human and technical ICT capacities and strategies.

15. The holding of the second annual meeting of the Civil Society Organizations Committee – which endorsed a new policy framework for CSO engagement that drew extensively from successful country experiences – highlighted the ongoing development of the organization's partnership with CSOs. The policy note on indigenous peoples was also endorsed in 2001, recognizing the importance of engaging with indigenous peoples and their organizations in preventing and resolving conflicts, enhancing democratic governance, reducing poverty and managing the environment.

16. There was a concerted effort in 2001 to develop policy-based partnerships with CSOs from both North and South. These partnerships have been important for building the organization's profile as a cutting-edge, policy and advocacy organization. UNDP also organized parallel round-table meetings for CSOs during two key United Nations conferences: the Third United Nations Conference on Least Developed Countries, held from 14 to 20 May 2001 in Brussels, and the World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance, held from 31 August to 7 September 2001 in Durban. CSO consultations were set up to address such issues as globalization, trade, poverty-reduction strategies, pro-poor budgeting, and the MDGs.

17. UNDP has significantly stepped up its efforts to mobilize and engage the business sector. A comprehensive UNDP toolkit for collaboration with the business sector was developed in 2001. As one of the four core United Nations organizations assigned responsibility to implement the Global Compact of the Secretary-General, UNDP prepared a strategy for introducing it at the country level, which included outreach and advocacy, policy dialogue, partnership projects and learning. UNDP facilitated the introduction of the Global Compact in close to 20 countries in 2001. In Nigeria, for example, UNDP launched the Nigeria Partnership Forum, which aims to facilitate multi-stakeholder dialogue and action on issues relating to the role and responsibilities of business in development.

18. In addition to facilitating broader engagement processes with the business sector and other stakeholders concerned with the role of business, UNDP is increasingly developing concrete partnership projects with partners in the business sector. Examples of such projects initiated in 2001 took place in: (a) Malaysia, where UNDP is working with a soft-drink company and the Ministry of Education on the E-learning for Life initiative to establish ICT hubs in selected schools; (b) the Democratic Republic of the Congo, where UNDP is working with two natural resource companies, the Government and the United Nations Children's Fund and civil society to address the challenges of providing HIV/AIDS education and information to workers of companies; and (c) the Islamic Republic of Iran, where UNDP is working with

an oil company to strengthen the capacity of local authorities to formulate and develop national contingency plans for oil spills.

III. UNDP support to United Nations reform

19. UNDP, as funder and manager of the resident coordinator system, and the Administrator, as chair of the United Nations Development Group (UNDG), play a crucial role in the programme of reform initiated by the Secretary-General in 1997.

Millennium development goals

20. Follow-up to the Millennium Declaration has begun to provide a clear strategic focus for UNDG. Action taken by the Development Group during 2001 and increasing engagement by United Nations country teams are beginning to generate momentum on the follow-up to the Declaration, especially with respect to the MDGs. Several major developments marked 2001:

- Speedy agreement on most elements of a framework for the development goals, targets and indicators constituting the MDGs, in a collaborative effort with the International Monetary Fund, the Organisation for Economic Co-operation and Development, the World Bank, UNDG and other United Nations organizations, under the auspices of the office of the Secretary-General;
- Finalization of the UNDG guidance note on country-level monitoring of MDGs that emphasizes national ownership, capacity-development and links with existing tools such as common country assessments, national human development reports and poverty-reduction strategy papers;
- The launch of a pilot initiative to prepare MDG reports at the country level, with four completed by the end of 2001 and another dozen in various stages of development;
- Coordinated support to include MDGs in the poverty-reduction strategy process, in particular by integrating MDG databases into poverty-reduction strategy frameworks and enhancing the skills of national counterparts to obtain and use data for the credible monitoring of progress in poverty-reduction strategy papers and, more broadly, the MDGs.

21. The United Nations system has a pivotal contribution to make in the effort to match the scope and vision embodied in the MDGs with their implementation. To help to accelerate the effort, in December 2001, the Secretary-General asked the Administrator, in his capacity as chair of UNDG, to act as campaign manager and scorekeeper for the MDGs within the United Nations system.

22. Working closely with UNDG and other key United Nations partners such as the Department of Economic and Social Affairs, UNDP has proposed an overall United Nations system strategy for achieving the MDGs, comprising three complementary initiatives:

- *The Millennium Project*, a research initiative led by a special advisor to the Secretary-General on MDGs, working with civil society organizations, the Department of Economic and Social Affairs, International Monetary Fund, the Word Bank, UNDP and other United Nations organizations to lay a solid intellectual and analytical foundation for defining and assessing the policy dimension of achieving the MDGs based on costs and financing options;

- *The MDG reports*, a comprehensive initiative to support global and national monitoring and reporting on progress towards the MDGs, the former led by the Department of Economic and Social Affairs, as part of the annual reports of the Secretary-General to the General Assembly on the Millennium Declaration, and the latter led by UNDP, on behalf of UNDG, comprising a country-by-country assessment of progress towards meeting the MDGs. The first seven pilot country reports have already been completed;

- *The Millennium Campaign*, a special initiative aimed at building awareness and creating new coalitions for action across developed and developing countries around the MDGs, guided by the Monterrey Consensus adopted at the

International Conference on Financing for Development, which supports "the United Nations in the implementation of a global information campaign on the internationally agreed goals and objectives, including those contained in the Millennium Declaration".

Resident coordinator system

23. The coordination of country programmes and the harmonization of programming periods at the country level continue to be a high priority for United Nations country teams. The common country assessment and United Nations Development Assistance Framework (UNDAF) process is chiefly used as: a tool to prepare country programmes; an instrument for coordinated advocacy; a means for refining programme focus through mid-term UNDAF reviews and prioritizing joint action; a basis for optimizing thematic groups; and a means for defining areas for joint programming. Country teams are pursuing joint advocacy and programming most actively in the area of HIV/AIDS with the assistance of thematic groups. Other areas of joint programming include support to poverty-reduction strategies, national human development reports, governance, decentralization, human rights, rural development, corruption, trafficking, nutrition and others.

24. The resident coordinator system continued to strengthen in 2001. The enhanced Resident Coordinator Assessment Centre was established, reflecting the evolving role of resident coordinators, especially in United Nations reform and in crisis and post-conflict situations. In 2001, a total of 47 candidates participated in the Resident Coordinator Assessment Centre. A 180-degree feedback programme will be piloted in ten country offices with the aim of improving the performance of resident coordinators and country teams.

Afghanistan

25. A coordinated response to crises and natural disasters remains a notable area of joint United Nations action that demonstrates the potential and strategic value of concerted and efficient support under the most trying circumstances.

26. A good example of joint planning is the Immediate and Transitional Assistance Programme for the Afghan People 2002 (ITAP), which was prepared by the country team in Afghanistan as a key strategic tool to ensure coherence in the assistance response to the Afghan crisis by the United Nations system as an integrated whole. ITAP is unprecedented in that it presents a comprehensive approach for relief, recovery, and reconstruction and for the reintegration needs of the Afghan people in 2002, including the needs of Afghans in neighbouring countries. For the first time, UNDG met daily with the members of the Executive Committee for Humanitarian Affairs and the Inter-Agency Standing Committee to ensure a fully consolidated, comprehensive response. The Integrated Mission Task Force, also established for the first time, met daily to link the activities of United Nations organizations and programmes with the work of the Special Representative of the Secretary General.

27. In November 2001, the Secretary-General called on the Administrator to lead the early recovery effort in Afghanistan. In addition to supporting the Special Representative, assisting the Afghanistan Interim Administration and strengthening the organization's presence in Afghanistan, UNDP focuses on assisting the Deputy Special Representative for Relief, Recovery and Reconstruction, whose mandate is of crucial importance for the implementation of the integrated approach.

IV. People

28. Human resources remain at the centre of UNDP reforms to improve performance. The organization has placed strong emphasis on human resource management and development to ensure efficient succession planning and the matching of staff competencies with the new profile of UNDP. Top priorities of the Administrator, improving the working environment and strengthening the relationship between staff and management continued to receive ongoing attention.

29. While more progress remains imperative, the gender mix in management positions within the organization improved somewhat in 2001. The number of women serving as resident coordinator and resident representative increased from 30 to 33.

30. As one indicator used to gauge progress, the 2001 global staff survey provided valuable information on work relationships and showed positive trends in the way staff view UNDP and their work in the organization. The survey results indicated that UNDP staff are significantly more engaged in important aspects of their work, more involved in developing their knowledge and skills and more positive about the organization, its management and its relationship with its clients.

31. UNDP also focused on the development of staff professional qualifications to ensure that they match with UNDP professional requirements. Country office performance was thus identified as the top corporate priority for 2001. One of the most impressive exercises to improve performance in key areas of the organization has been the country office reprofiling. With this initiative, a special package of corporate support was provided to country offices, including budgetary allocations for staff training and separation packages, Internet connectivity and rapid deployment of staff to cover transfers or separations. By March 2002, a total of 128 country offices have been reprofiled. Over 125 support missions were fielded and more than 600 staff had been trained in re-profiling techniques. In terms of staffing, the process resulted in a net reduction of 516 posts and in over 500 accepted separation applications. Full implementation of these measures will require monitoring and continuing organizational work and support to country offices during 2002.

32. To maximize its human resource potential in light of the recent organizational transformation, UNDP has continued the rigorous recruitment process initiated in 2000. As in the 2000-2001 exercise, the Leadership Development (LEAD) programme will bring 20 talented young professionals into UNDP core staff during 2002. Selected candidates were drawn from more than 2 500 applicants and underwent a rigorous selection process. To strengthen its specialized substantive capacity, UNDP filled 57 posts of policy specialists and is in the process of recruiting 28 experts in conflict prevention, natural disaster recovery and operation support.

33. Boosting performance and staff development was high on the 2001 agenda. Seventy-nine country offices participated in the second generation of the UNDP management skills programme: communications skills and management of change. Achievements also included the Virtual Development Academy (see box), the further development of the learning managers network with 110 managers in place and the continuous promotion of learning activities as part of UNDP work.

The Virtual Development Academy

Envisaged in the Administrator's Business Plans, 2000-2003, the Virtual Development Academy (VDA) is a manifestation of the organization's commitment to transforming itself and investing in its staff. The VDA focuses on mid-career-level staff with the aim of strengthening their expertise in development issues and their management competencies and enhancing continuous learning and networking within UNDP.

The VDA now exists as a 12-month course, mostly online, which provides learning in the following areas: poverty eradication, democratic governance, crisis prevention and recovery, HIV/AIDS, sustainable environmental management, human rights and gender. It develops skills in the fields of management, advanced information technology, performance consulting, advocacy and media.

The Governments of Sweden and Finland – UNDP partners in this initiative – have provided the set-up costs of the VDA. Eighty-seven participants, 45 national and 42 international (39 women and 48 men) form the first cohort. Their evaluation of the VDA underlined the fact that the VDA not only improved their competencies but also created large knowledge networks among country offices.

34. Tighter monitoring of individual performance is being institutionalized through a substantially remodeled results and competency assessment, which appraises staff performance on the basis of results. Overall performance is being measured in a more systematic way through various instruments; efforts are under way to achieve a truly streamlined and integrated performance management system that would position results at the centre of UNDP business. A scorecard/management results framework designed and launched in 2001 helps to plan and report on management results.

35. Client surveys are becoming an important element of performance assessment, particularly the annual survey of headquarters products and services, where country offices rate their relationships with various headquarters units. Results of the survey are analysed systematically and servicing units are requested to develop strategies that bring about improvements in deficient areas.

36. The performance of UNDP at the country level is also being monitored, in particular through a partnership survey that measures the satisfaction of UNDP key counterparts with regard to the role of the organization and the development services delivered. A pilot survey targeting 17 countries was conducted in 2001; the exercise will continue on a larger scale in 2002. A major finding of the pilot survey was that for 75 per cent of respondents, the overall image of UNDP was positive in programme countries.

37. Improving internal communication within UNDP has been a major dimension of the organization's work over 2001 in order to improve the sharing of knowledge and best practices and to ensure greater efficiency. Increased provision of online information and the development of thematic networks provide new opportunities for information dissemination and learning. Security concerns have been extremely salient during the last quarter of the year and have been given top priority.

V. Funds and programmes

The United Nations Development Fund for Women

38. Evidence shows that the thematic work areas defined by the United Nations Development Fund for Women (UNIFEM) were more focused in 2001 in tandem with a significant increase in partnerships with UNDP and the Joint United Nations Programme on HIV/AIDS (UNAIDS). Work on women's economic security progressed through the Gender Budget Initiative, a global partnership with the Organisation for Economic Co-operation and Development, the Nordic Council, the Commonwealth Secretariat and the International Development Research Centre that is working with Governments and non-governmental organizations to reallocate budget resources to promote gender equality. UNIFEM advocacy to eliminate a transaction tax on small traders alleviated disproportionate financial burdens on women "suitcase traders" in Tajikistan and its initiative to build women's ICT capacities increased revenues for women entrepreneurs in eight countries. As follow-up to Security Council resolution 1325 on women and peace and security, UNIFEM commissioned an independent expert assessment in 10 conflict regions, the findings of which will feed into the report of the Secretary-General. UNIFEM conducted gender training with the Implementation Monitoring Committee for the Burundi peace process and initiated training for women political candidates in East Timor, resulting in women contesting 268 (27 per cent) of the country's elections. The UNIFEM-sponsored Roundtable for Afghan Women in December 2001 resulted in the Brussels Action Agenda, which provided inputs for the Preliminary Needs Assessment for Afghanistan Reconstruction of the Asian Development Bank, the World Bank and UNDP and for the United Nations Immediate and Transitional Assistance Programme for Afghan People 2002.

39. Executive Board decision 2000/7, in which the Board recommended that UNIFEM be included among executing agencies for UNDP, led to agreements for UNIFEM to execute 11 initiatives for UNDP. Since signing a cooperation framework with UNAIDS, UNIFEM has generated significant cost-sharing resources for its initiatives on gender and HIV/AIDS, enabling its work to become operational in more programme countries.

United Nations Capital Development Fund

40. The ROAR 2001 (DP/2002/14) of the United Nations Capital Development Fund (UNCDF) shows progress in both project management and the attainment of outputs. An analysis of expenditure reveals that UNCDF has successfully complied with Executive Board decision 99/22 and its resources are now concentrated on its two areas of focus: local governance and microfinance. Independent, external evaluation of UNCDF work continues to indicate that its operations contribute significantly to the well-being of the poor while providing strong support for the overall local development strategy of UNCDF. In terms of organizational strengthening, UNCDF has made significant strides towards completing its follow-up to the recommendations of the 1999 external evaluation. A significant achievement was the formalizing of partnership arrangements with UNDP in the area of microfinance; discussions are ongoing for similar arrangements in the area of local governance. In 2001, UNCDF also gave high priority to the issues of policy impact and replication, with positive results.

41. For the first time since 1996, the steady decline of UNCDF core contributions was reversed in 2001, with a slight increase of 1 per cent, to $24.3 million. Five OECD/DAC donors increased their contributions in local currency terms and the Fund enlarged its support base with two new OECD/DAC core donors. In 2001, all regular resources, including miscellaneous income derived from interest earned on liquid balance, amounted to $26.9 million and efforts to increase non-core resources resulted in $5.5 million non-core contributions, an increase of 145 per cent over the previous year. Despite these encouraging signs, total core resources have declined and as noted by many delegations at the annual session 2001, the level of UNCDF resources is falling far short of the demand by programme countries for its investment and capacity-building services.

United Nations Volunteers

42. In 2001, which marked its thirtieth anniversary, the United Nations Volunteers (UNV) reached an important turning point. Building on three decades of experience and the contributions of some 30 000 global citizens, who served the United Nations as volunteers in the cause of peace and development, UNV continued to carry out its role as focal point for the International Year of Volunteers, 2001, while at the same time expanding its own programme activities. Through its role as focal point, UNV, and thus UNDP, has deepened its own understanding of the value of volunteerism as a development concept, the important economic contributions that it makes to society and its role in creating social cohesion by building trust and reciprocity among people.

43. The UNV programme, in terms of the number of volunteer assignments and individual volunteers involved, continued to grow in 2002 for the fifth consecutive record year, with the financial equivalent of all activities in the broader United Nations system context – again surpassing $100 million. Development cooperation activities remained the hallmark of UNV programme implementation. The trend towards humanitarian and emergency relief, peace-building and electoral support also continued to gain momentum. The volunteers, 37 per cent of whom were women, represented 160 nationalities and contributed to development and peace building efforts in 140 countries. The Administrator is submitting his biennial report on UNV at the annual session 2002 (DP/2002/18).

South-South cooperation

44. The Special Unit for Technical Cooperation among Developing Countries (TCDC) has continued to facilitate South-South sharing of experiences, expertise and knowledge. With $1.8 million from UNDP core resources and additional non-core funding from China, Ireland, Japan and the Republic of Korea, key programmes of the Unit were fruitful albeit few. Support to the West Africa Rice Development Association (WARDA), for example, resulted in the development of new high-yielding and high-protein rice varieties called New Rice for Africa (NERICA). The dissemination of NERICA promises to increase rice production to 744 000 tonnes in the subregion by 2006 and to reduce imports by $88 million per year. It is also estimated that farmers growing NERICA are likely to increase their incomes from rice by 25 per cent. The second Africa-Asia Business Forum, held in Johannesburg, brought together about 108 companies from Africa and 60 from Asia that signed 104 memoranda of understanding worth over $75 million.

45. The Unit has supported the development of new approaches to social protection, labour welfare, pension reform and social security, particularly for individuals in the informal sector. It continued to publish its journal, *Cooperation South*, and to update its online information system, WIDE, providing an array of services, including information on Southern expertise and pioneering development practices. An innovative initiative launched by the Administrator in 2001 responds to the HIV/AIDS epidemic through collaborative efforts to fight AIDS in Botswana, drawing upon the experience of Brazil in countering the disease via the country's education system. Support in organizing a ministerial meeting on South-South economic cooperation led to the formulation of the Teheran Consensus – a blueprint for consolidating key agreements reached by a number of developing countries over the past three decades. The Unit also contributed to UNDP work by assisting developing countries in their preparations for the Fourth World Trade Organization Ministerial Conference in Doha, Qatar, in November 2001

Programme of Assistance to the Palestinian People

46. Building on the results of previous years, the Programme of Assistance to the Palestinian People (PAPP) continued to be an important development partner of the Palestinian Authority and the Palestinian people in 2001. PAPP continued to provide technical support in areas such as governance, environment and poverty alleviation and developed emergency employment programmes, which created jobs and enabled the rehabilitation of damaged infrastructure. The national UNV modality also allowed PAPP to provide employment opportunities for many young graduates from universities.

47. PAPP delivered a record $40 million of development and emergency assistance to the Palestinian people in 2001. New partnerships have been forged with financial contributions received from Germany, Luxembourg and the Islamic Development Bank. The traditional major donors of PAPP, in particular Italy, Japan, Sweden and the United States Agency for International Development, also kept up their commitment to PAPP by providing funding for long-term development activities.

Capacity 21

48. Capacity 21 embarked on a new beginning. An independent evaluation concluded that Capacity 21 provided a unique type of assistance to developing countries seeking to ensure that local capabilities are generated to catalyse processes that lead to sustainable outcomes. The evaluation recommended that UNDP and donors, including the Global Environment Facility, the World Bank and private sector organizations, should establish a trust fund mechanism in partnership with the G77, building on the experience of Capacity 21. UNDP decided to re-launch the initiative, expanding and renewing its mandate under the more precise focus of the MDGs and the challenges of globalization for the sustainability of local communities.

49. In 2001, Capacity 21 also assumed the role of coordinating UNDP activities for the World Summit on Sustainable Development and elaborated a corporate strategy that included supporting 140 countries financially and technically in preparing the national assessments of Agenda 21 implementation, supporting civil society participation in the regional and global preparatory committees and preparing technical inputs into major meetings.

Global Environment Facility

50. In 2001, GEF supported close to $156 million worth of projects in all parts of the developing world and the Commonwealth of Independent States: $42 million for biodiversity management; $57 million to mitigate climate change; $33 million to protect international waters, $0.270 million to fight ozone depletion; $23.1 million to address multisectoral issues, including land degradation; and $1.4 million to combat persistent organic pollutants, an emerging focal area for GEF. New partnerships have been launched with regional development banks, the International Fund for Agricultural Development, private-sector and some major non-governmental organizations. In this regard, a portfolio of about 20 projects is currently under development, preparation or implementation.

Montreal Protocol

51. To assist Governments in implementing fully the country-driven approach advocated by the Multilateral Fund, the Montreal Protocol intensified its role in advising Governments on key issues of legislation and policy measures, taxation policies, licensing and quota systems that encourage the use of alternative technologies to achieve the various Montreal Protocol reduction targets during the compliance period that started in 2000. UNDP received funding from the Multilateral Fund to initiate 186 new activities worth $37 million, which will result in the phasing-out of 4 050 tonnes/year of ozone-depleting substances. The project activities covered 34 different countries, nine of which are in Africa. Six projects will strengthen the capacity of the national ozone units and provide support to national policy-makers.

Drylands Development Centre

52. The operations and location of the Office to Combat Desertification and Drought (UNSO) underwent marked changes in 2001. At the end of June 2001, UNSO relocated from New York to Nairobi and has undergone radical reforms. In line with the overall management changes within UNDP, UNSO now provides policy level advice and programme support to countries through country offices. A new Drylands Development Centre has been established that links UNSO to the overall UNDP practice network.

VI. Resources

Overall income

Income received by UNDP and administered funds (US$ millions)

Income categories	2000	2001
Core (net)	634.14	651.75
Third-party co-financing	568.52	672.38
Programme-country cost-sharing	934.39	1 088.32
Management service agreements	140.91	88.81
Regular and other funding: UNDP-administered funds and programmes	62.44	60.65
Extrabudgetary and miscellaneous income	19.85	12.29
Total	**2 360.30**	**2 573.20**

Regular resources

53. UNDP regular resources experienced an important turnaround in 2001. For the first time in eight years, UNDP was able to reverse the downward trend of its regular resource base. Provisional data show that contributions to regular resources for 2001 reached $652 million, representing a small increase of 3 per cent over the level of contributions achieved in 2000. The continuing strong United States dollar throughout the year conceals the broad-based nature of the turnaround. It is particularly encouraging to note that 13 members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC) increased their contributions in local currency terms, many for the second consecutive year, with three countries increasing by over 34 per cent. As a further demonstration of support to the reform, three OECD/DAC donors announced additional commitments to regular resources during 2001, over and beyond their initial pledge for the year. It is noteworthy that programme countries have consistently made pledges to regular resources of $1 million or above. A total of 10 programme countries increased their contributions to regular resources for 2001 and 13 commenced or resumed contributions. As a clear sign of partnership and commitment of Member States to a sustainable funding strategy for the organization, 18 countries made multi-year pledges, with five countries using the multi-year commitments previously communicated as a baseline from which to increase their contributions. In addition, most donors made payments according to schedules communicated to

the organization, with major donors making early payments, resulting in a much-improved liquidity position of the organization and avoidance of the use of operational reserves.

54. While initial indications suggest that the turnaround in regular resources will be sustained in 2002, it is important to note that the increase in contributions to regular resources is still very fragile and the regular resource position of the organization remains critical. Sustained efforts are required for the growth initiated in 2001 to be consolidated and built on.

55. Programme countries play a critical role in mobilizing resources in several important ways. In addition to providing a substantial amount of cost-sharing resources to UNDP in their respective countries, programme country Governments also provide UNDP with: (a) contributions to UNDP regular resources; (b) government cash contributions towards local office cost; and (c) government in-kind contributions, such as the provisions of rent-free office premises.

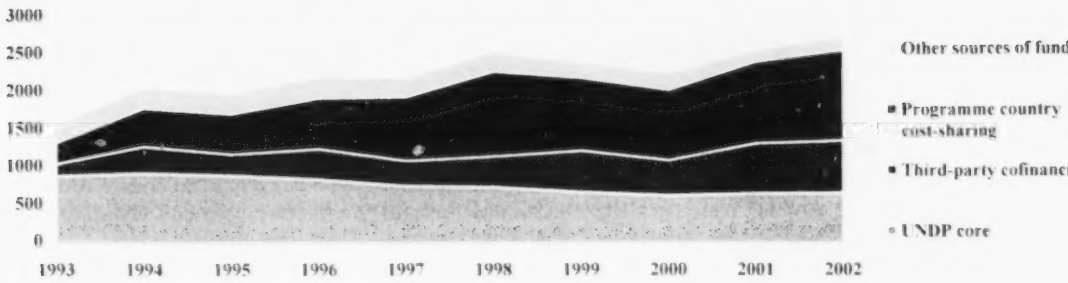
Other resources

56. Recent trends have shown a significant increase in other (non-core) resource contributions to UNDP. In 2001, provisional data show that third-party co-financing contributions to UNDP amounted to some $672 million in actual income received, bringing the total of voluntary contributions to regular resources and third party co-financing to over $1.3 billion. Virtually all OECD/DAC donors are now active in co-financing UNDP programmes, including the financing of thematic areas. Programme country cost-sharing, channeled through UNDP by programme country Governments in support of their own development programmes amounted to just over $1 088 million in actual income received.

57. In 2001, UNDP introduced and established the thematic trust funds as a flexible co-financing instrument designed to attract additional funding in the six practice areas – democratic governance, poverty reduction, crisis prevention and recovery, information and communication technology, energy and environment, and HIV/AIDS – in order to facilitate greater substantive alignment of UNDP activities around these areas. They offer a range of activities within specific service lines, each representing a particular mix of policy and institutional responses to a particular development challenge. The facility allows programmable funds, not readily available either from regular resources or from other multi-bilateral funding at the country level, to be channeled into a consistent set of development interventions across countries and regions. In this respect, resource allocations follow, among other things, needs-based criteria, with particular focus on the least developed countries and the Africa region.

58. Other resources represent an important complement to the regular resource base, permitting an extension of the impact of the programmes and fostering partnerships with a range of actors, including the European Commission, regional development banks, the World Bank and the private sector. Regular and other resources, however, are not interchangeable and the ability of UNDP to mobilize such resources depends on it having an adequate, secure multilateral base from which to provide its proven development expertise.

Table 1. Actual and projected resources, 1993-2002



* *Includes income from administered funds, extrabudgetary, miscellaneous and management service agreements.*

Table 2. Net income received in 2001 (preliminary)

(millions of US dollars)
Ranked by top 26 contributors to core resources

Donors	Core resources	Co-financing
Japan	96.00	37.41
United States	83.98	22.49
Norway	68.82	29.32
Netherlands	66.28	51.41
Sweden	53.08	28.30
United Kingdom	52.91	32.15
Denmark	49.29	5.47
Switzerland	29.21	9.11
Canada	26.94	11.14
Belgium	22.26	4.60
Germany	21.53	1.67
Italy	15.58	32.19
France	14.20	1.46
Finland	11.20	5.97
Spain	9.78	5.09
Ireland	5.66	1.96
India	4.41	0.02
Australia	3.63	6.36
China	3.00	18.9
Austria	2.83	0.25
New Zealand	2.62	1.36
Saudi Arabia	2.00	7.76
Republic of Korea	2.00	0.38
Portugal	1.60	0.10
Cuba	1.35	0.06
Kuwait	1.09	0.78

Notes: (a) Contributions for Belgium and Spain include amounts from previous year.
(b) In addition to its core contributions, the European Commission is a major source of non-core funding for UNDP.

Table 3. Countries contributing above $1 per capita to UNDP regular resources, 2001

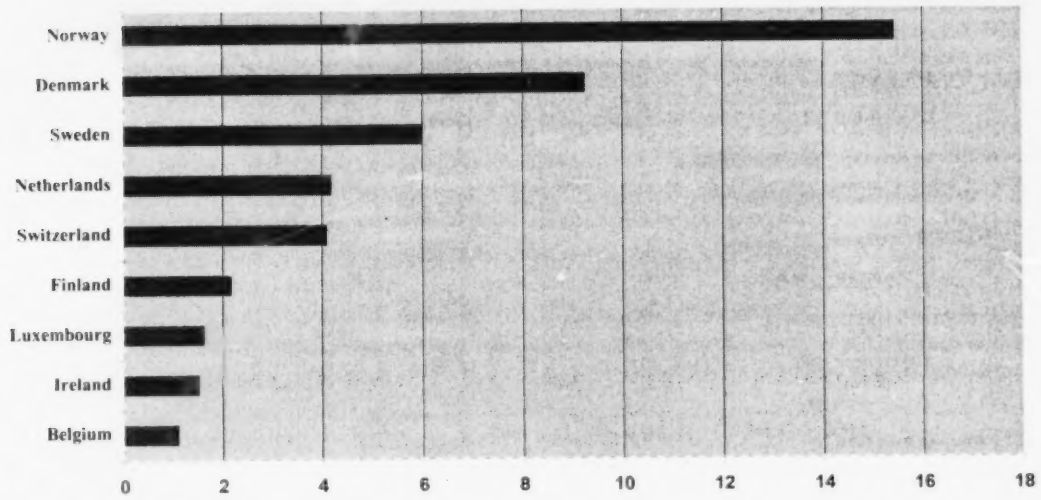


Table 4. Top 10 programme country cost-sharing contributions, 2001 (preliminary) (millions of US dollars)

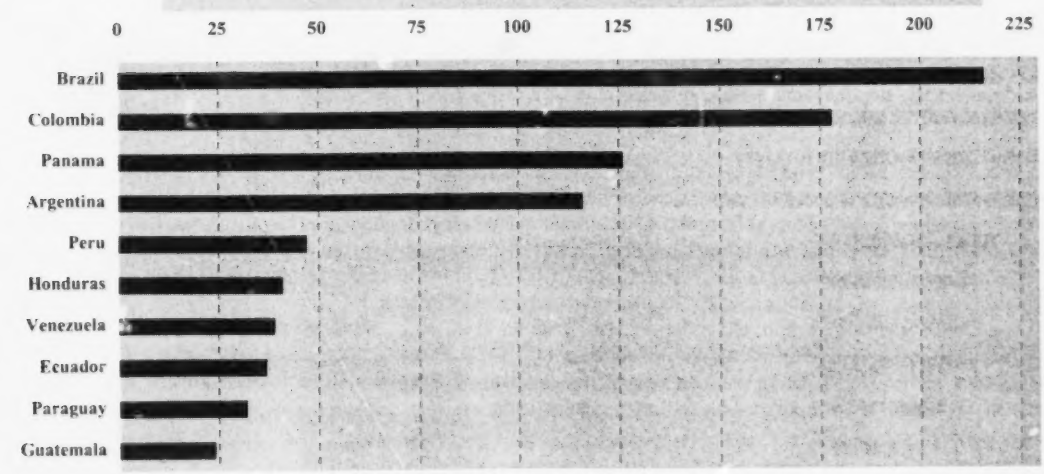
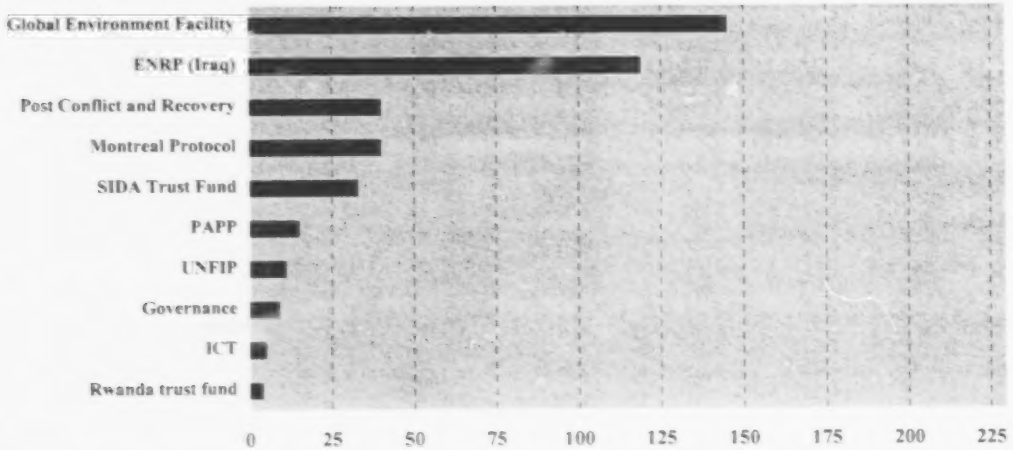


Table 5. Top 10 trust funds, 2001 (preliminary): income (millions of US dollars)



Abbreviations: ENRP = Electricity Network Rehabilitation Programme; SIDA = Swedish International Development Cooperation; PAPP = Programme of Assistance to the Palestinian People; UNFIP = United Nations Fund for International Partnerships; ICT = information and communication technology.

Part two

59. Parts two and three of the annual report present summary findings of the results-oriented annual report (ROAR) for 2001: part two provides an overview of UNDP cooperation in the six mandated areas of the strategic results framework while part three explores the performance in three particular sub-goals in detail. As with previous years, these sub-goals were selected jointly with the Executive Board.

60. The analysis of annual performance, as reported by UNDP country offices, reveals that the effects of the major changes initiated in the last two years are taking hold throughout the organization. The key findings by goal are presented below.

VII. Goal 1: creation of an enabling environment for sustainable human development (governance)

61. UNDP supported governance initiatives in 145 pr[illegible] countries. (The number of countries in which UNDP supports governance programmes exceeds the actual nu[illegible] country offices.) Performance in 2001 reconfirmed the distinct nature of UNDP assistance to democratic transition. This is best exemplified in the coordination of donor support to electoral processes, the facilitation of national dialogue and the promotion of civil society participation in political reform. Mixed performance towards lasting change, nevertheless, suggests that greater attention is required in areas such as building national commitment to post-election reforms. This emphasizes the need for closer purposive partnerships with local actors in civil society and government.

62. The ROAR 2001 indicates that national human development reports (NHDRs) are being used in a growing number of instances in setting public policy, in orienting public representatives and officials and in school curricula. Ownership by programme country Governments appears to be growing, as demonstrated by innovative self-financing and cost-recovery mechanisms for nationally led production. Country offices are increasingly using NHDRs very effectively to advocate specific, time-bound changes to policy and laws in order to make them more pro-poor and pro-women. Gender-disaggregated data were particularly used in the preparations of NHDRs and other UNDP publications. The Regional Bureau for Latin America and the Caribbean, for instance, reports that gender-disaggregated data have been integrated into 23 NHDRs.

63. Support to information and communication technology (ICT) for development has become increasingly sophisticated while the demand to establish basic connectivity and more conventional uses remains. UNDP has been able to match this change by developing internal networks with the capacity to support the innovative application of ICT for democratic governance. The ROAR 2001 presents numerous instances of the innovative application of ICT with UNDP support – for example, to increase people's access to data on financial and productive resources, land registration, tax administration, small business registration and public-resource management. These signal good opportunities for South-South learning and cooperation.

64. UNDP cooperation expanded in local governance from an already established base to the extent that it can be confirmed as a major area of business. Forty-two country offices reported strategic interventions in decentralization, which marks a significant 16 per cent increase from 36 per cent in 2000. Interaction with United Nations organizations in sub-national governance was more evident, with the United Nations Capital Development Fund (UNCDF), the United Nations Centre for Human Settlements (UNCHS), the United Nations Development Fund for Women (UNIFEM) and the United Nations Volunteers (UNV) all supporting UNDP results in governance during 2001. Interaction with UNCDF was prominent in the area of local development planning to promote accountable fiscal devolution. Regional programmes provided value-added contributions to provincial and municipal governance, notably in the Asia and Pacific region. While this growing demand can in part be seen as an expression of trust in UNDP services, mixed performance levels suggest new pressure on the organization's capacities, in particular in terms of partnership management.

65. Behind the achievements of 2001 in governance lie certain recurring constraints, including uneven national commitment. To some extent, this explains why performance towards lasting development results remains mixed, even

when UNDP has been able to deliver its own outputs to reasonable levels. Constraints clearly point to the need to establish and manage productive partnerships. This applies both to situations where there is a growing volume of activity, as in the area of local governance, and in more nascent and obviously sensitive areas such as in fighting corruption and in promoting human rights for marginalized or minority communities.

66. Three areas of cooperation emerged during 2001 that warrant further attention. The first is human security and youth at risk. Various initiatives were reported, including the use of one or both these topics as the main theme in NHDRs and supporting the formation of youth councils. The second area of nascent demand was in the application of performance-based methods of assessment in UNDP support to greater efficiency in public administrations. In a few cases, this even gave rise to requests for UNDP assistance in setting up results-based management systems. In light of the progress that UNDP has made in its own application of results-based management, it may be useful to consider extending support to countries in this area. The third area involves interventions supporting globalization, private-sector reform and regional development cooperation. Reported results in these areas have increased on average by 60 per cent since 2000.

VIII. Goal 2: economic and social policies and strategies focused on the reduction of poverty

67. The organization's commitment to supporting the preparation of national poverty-reduction strategies, including poverty reduction strategy papers (PRSPs) emerged clearly during 2001. UNDP worked with Governments and other partners to strengthen national poverty-reduction strategies in 85 countries. The scale of involvement in the PRSP process increased from 11 countries in 1999, to 24 in 2000, to 36 in 2001 – with over half of these in sub-Saharan Africa. Overall, country offices fully or partially achieved 90 per cent of their annual output targets for 2001. These outputs contributed to positive progress towards outcomes, where positive progress was reported at 78 per cent.

68. Enhancing the participation of stakeholders in poverty-reduction processes was a characteristic feature of UNDP cooperation in 25 countries. UNDP chaired, or co-chaired with the Government, national steering committees charged with reducing poverty and acted as a secretariat for poverty theme groups. Typical of this role, the organization facilitated the participatory review of interim PRSPs, often on a regional basis or with local government, by civil society organizations (CSOs) and non-governmental organizations (NGOs). Examples of inclusion of the gender dimension in the PRSP formulation process are gaining ground, according to programme country reporting in 2001 under goal 4. The country offices in Guinea and in Rwanda report that gender has been introduced in all PRSP sections through a participatory approach. Some programme countries are reporting the mainstreaming of gender concerns in national development plans, for example, in Nepal.

69. In terms of poverty-monitoring, almost half of the results on poverty-monitoring linked monitoring with efforts to promote policy change or inform policy formulation, up from a quarter in 1999. This was a positive development because it reflects the increasing integration of assessments and monitoring within the policy process and UNDP commitment to support the assessment of progress towards the Millennium development goals (MDGs).

70. Elsewhere within the poverty goal, there was growing evidence of the impact of UNDP work on HIV/AIDS in sub-Saharan Africa over 2001. The greater leadership and effectiveness of Governments in coordinating multisector responses to the epidemic and of UNDP capacity-development efforts were instrumental in this progress.

71. It should be noted that the first sub-goal under poverty – which addresses national anti-poverty strategies, pro-poor macroeconomic policies, poverty monitoring and HIV/AIDS – not only accounted for 60 per cent of UNDP results in poverty reduction, it also demonstrated greater depth and strategic coherence than results reported under the second sub-goal, which addresses the human, physical and financial asset base of the poor. The latter sub-goal encompassed efforts to promote greater access by the poor to key physical and financial assets, basic social services, systems of risk management, and information and communication technology for poverty reduction, as well as support for sustainable livelihoods. UNV continued to be an important partner in UNDP poverty-reduction efforts, with more than a 1 000 volunteers serving in UNDP poverty-reduction programmes across all regions, predominantly in areas covered by sub-goal 2.

72. The pro-poor and pro-women focus of HIV/AIDS and ICT interventions requires much more attention. While there are efforts to mainstream HIV/AIDS issues into strategies for reduction in poverty and gender inequities in some countries, UNDP is not systematically addressing these at present. The regional variation in UNDP HIV/AIDS work, furthermore, highlights the need for greater sharing of experience and knowledge between countries and within UNDP and greater South-South cooperation in this area.

73. The other major cause for concern is the low level and unstructured nature of the organization's engagement in access to assets, with isolated interventions that are unlikely to produce sustainable results with a wider impact. Many partnerships in this area are still limited to traditional arrangements focused on resource mobilization and project implementation. UNDP needs to revisit its strategies in this area.

74. Reporting on cross-cutting issues, such as those between poverty reduction and environment, was not strong. While UNDP is developing capacity to generate gender-disaggregated data, there is a need to integrate gender analysis much more systematically and purposefully in its support of poverty reduction.

75. It is worth noting that work on basic social services and on strengthening systems of risk management has tapered off and a major effort is required to revive the contribution of UNDP in these areas critical for poverty reduction and parallel to efforts to support pro-poor economic growth.

IX. Goal 3: environmentally sustainable development to reduce human poverty

76. Results were reported from country offices in 139 countries where UNDP supported programmes in this area in 2001. This reflects a very high level of demand for UNDP services in energy and environmental management and vindicates the Executive Board decision to identify it as a major practice. Overall, country offices fully or partially achieved 81 per cent of their annual output targets for 2001. These outputs contributed to positive progress towards outcomes, where positive progress was reported at 71 per cent.

77. The majority of UNDP outputs addressed national policy and regulatory frameworks for environmental management (60 offices), building institutional frameworks (71 offices) and the development of national capacity for participation in global conventions (68 offices). Capacity development is progressively extending beyond central government ministries to local levels and concerted efforts were made to integrate international environmental obligations into plans and policies for domestic macro-economic development and poverty reduction. Only eight country offices, however, reported on environmentally sustainable development with explicit reference to promoting gender equality and empowering women. There were also only few upstream efforts to influence national policies to enhance energy access for the poor. In spite of these lacunae in coverage, there were positive results in sustainable energy development results, including several pilot interventions in renewable energy, many supported by Global Environment Facility (GEF) funding.

78. Links between UNDP deliverables in the environment goal and larger development results remained weak, with an unclear sharing of roles and responsibilities within partnerships. Partnerships typically involved a broad range of actors from various ministries and key civil society groups. Aside from those with Governments and civil society, the partnerships most reported on were with bilateral donors, UNCDF, UNV and other organizations such as the Food and Agriculture Organization of the United Nations (FAO), the United Nations Environment Programme (UNEP) and the World Bank.

79. A shift is now required to build on existing alliances to achieve sustainable development outcomes. Building results-driven partnerships is particularly important as the emphasis of activities under this goal moves from reflecting international commitments in national development plans to the actual implementation of those plans.

80. Compared to other areas under the environment goal, there was less UNDP involvement in the monitoring of environmental conditions (17 offices) and in regional environmental management initiatives (21 offices). The role of UNDP, through its commitment to the MDGs, provides a basis for the much needed intensification of activities in these areas.

X. Goal 4: advancement in the status of women and gender equality

81. The bulk of UNDP cooperation for the advancement in the status of women and gender equality is related to policy-setting, institution-building, advocacy and monitoring. Sixty-six per cent of outcomes and 65 per cent of outputs addressed these types of cooperation. The remaining outcomes and outputs focused on the advancement of women through the implementation of global commitments, the Beijing Platform for Action and the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), as well as violence against women.

82. Joint UNDP-UNIFEM interventions, for instance in support to national policy formulation and institution-building, were reported by 51 offices (57 per cent of the total number of offices). The advantages of the UNDP-UNIFEM partnership were mutually reinforcing: UNIFEM worked through the UNDP global network of offices while UNDP benefited from the technical expertise of UNIFEM. This in turn facilitated the expanded coverage of gender-related issues and arguably more effective advances through gender-related development initiatives.

83. Ninety countries in which UNDP supported programmes (58 per cent of the total) reported gender-specific programmes in the ROAR for 2001, compared to 75 countries in 2000. An additional 29 programme countries (19 per cent) reported gender considerations in programmes within other goals, a decline in comparison to 37 in 2000. Overall, across all other goals of the strategic results framework, activities with actual results reflecting gender considerations were reported in 119 countries, a slight increase from 112 countries in 2000.

84. Forty per cent of all programme countries reported support for the collection of gender-disaggregated data to enhance national reporting and capacity for gender analysis in the ROAR 2001. Only 90 per cent of programme countries used gender-disaggregated data for their inclusion in NHDRs, while a few more (12 per cent) used gender data for inclusion in other publications. Additionally, the Regional Bureau for Latin America and the Caribbean reported that gender-disaggregated data have been integrated into 23 NHDRs. The trend for more comprehensive support to the empowerment of women and gender equality continued. Gender-auditing mechanisms for improved implementation of gender policies and law enforcement in order to ensure women's access to economic decision-making were developed. Similar examples of linking national plans of action, institutional capacity-development, data collection and implementation of CEDAW, including violence against women, have been noted across regions and are on an upward trend.

85. Most gender-mainstreaming interventions are reported under goal 1 (governance) and goal 2 (poverty) while goal 3 (environment), goal 5 (special development situations) and goal 6 (UNDP support to the United Nations) lag behind. It should nevertheless be noted that interventions relating to the empowerment of women and gender equality in special development situations are increasingly reported under goal 4.

86. UNDP regional programmes contributed, with other partners, to the strengthening of regional and subregional organizations that support gender equality goals, for instance the Centre for Asia-Pacific Women in Politics and the Centre for Arab Women's Training and Research. The focus was on enhancing dialogue and advocacy at regional levels and strengthening partnerships with NGOs and United Nations regional organizations.

87. There was a relatively better articulation of partnership strategies to promote gender equality. Further enquiry, however, is necessary to determine the efficacy of these partnership strategies in returning lasting results. In the meantime, some programme countries reported efforts to reach beyond women's NGOs in advocacy work on gender issues and especially to tap into knowledge networks and research institutions for gender analysis and data collection.

88. In general, the quality of reporting on gender-mainstreaming remained weak, which may warrant UNDP reviewing its approach to cooperation in this area. The immediate explanation for qualitatively weak reporting is likely to be found at the planning stage, where targets are set. In the future, more careful attention at the planning stage is likely to generate better reporting of results.

89. Knowledge networks and electronic communication have emerged as a means through which UNDP can strengthen its capacity-development support on gender equality. The UNDP gender-knowledge network, Gender Beat, an

electronic newsletter and the gender-mainstreaming electronic discussion have strengthened knowledge-networking on gender-mainstreaming at UNDP. Regional gender-knowledge networks were further developed along with cross-regional linkages. Successful examples at the country level, for example, in Armenia, India and Malaysia, to connect national and subregional stakeholders, and the increasing efforts at the regional and global level may be considered for adaptive replication. A number of new areas of intervention are emerging, from gender-sensitive budgeting to the gender dimension of poverty strategies, including increasing work on the gender dimensions of social policy and monitoring the MDGs. Ways to scale up this work should be further explored.

90. Despite the marginal increase in the number of programme countries where gender results were reported in other goals, there is little insight into how gender analysis and gender perspectives were effectively mainstreamed, a view corroborated by similar observations made in the other goals. The uncertain progress in this regard requires an urgent reappraisal of the available capacity, current tools and methodologies used to mainstream gender considerations. A successful UNDP/UNIFEM workshop on gender-mainstreaming tools was held in Ecuador to address this concern.

XI. Goal 5: reduced incidence of and sustainable recovery and transition from complex emergencies and natural disasters

91. Sixty-three offices reported in 2001 under this goal, compared to 54 in 2000. The main reasons for this upswing in reporting are an increase in (a) the number of countries that have requested UNDP support and (b) the higher level of operational capacity in UNDP to intervene at both headquarters and in country offices. An increase in UNDP interventions on gender in special development situations was also noted in the ROAR 2001.

92. The development dimension of countries going through or emerging from conflict situations was an increasingly prominent feature of UNDP work during 2001 – more so than in the past. The most frequently reported aspects of assistance were in disaster management, human security and community-based recovery. Although UNDP continued to work towards greater integration between community-based activities in post-conflict situations, specifically in the generation of livelihood opportunities, sustainable recovery processes and the reintegration of war-affected populations were still limited in number.

93. Reports generally suggest that UNDP was increasingly active in 2001 in the coordination of partners, both among United Nations organizations and bilateral donors and NGOs, especially in leading the implementation of multisectoral recovery programmes. In the absence of an integrated post-conflict development strategy in the aftermath of a crisis, UNDP increasingly proved to be a lead player in the rapid design of transition programmes.

94. The distribution of outcomes by type of intervention across goal 5 breaks down as follows: capacity-development of institutions (38 per cent); strategy-setting and policy options (29 per cent); empowerment and social cohesion (23 per cent); capacity-development/data (5 per cent); and innovation and scaling-up through pilot interventions (5 per cent). Despite the unique character of UNDP cooperation in this goal, the predominant focus on capacity-development and strategy-setting and policy options is generally consistent with the type of cooperation that UNDP provides in its other mandated goals.

95. UNDP collaborated most frequently with the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children's Fund (UNICEF), the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), the World Food Programme (WFP) and the World Bank. With UNV inputs, UNDP supported United Nations activities in major peacekeeping operations. Almost 1 300 UNV volunteers contributed to a wide range of national reconstruction and capacity-development efforts, notably in East Timor and Kosovo, but also in Sierra Leone, Democratic Republic of the Congo and Eritrea. With regard to bilateral donors, UNDP worked closely with a number of key donor countries in the areas of de-mining, disarmament and demobilization. Additional support was provided for UNDP special development operations (including mine action and/or justice reform) in Angola, Cambodia, Croatia, El Salvador, Republic of the Congo, Yemen and other countries.

96. Technical cooperation in strengthening the capacity for achieving sustainable mine-action programmes continued to be important in poverty reduction. The opening-up of productive land for agriculture, for example, facilitated the

resumption of productive activities, often by poorer rural communities, in Cambodia, Lao People's Democratic Republic and Thailand.

97. In countries in special development situations, there were relatively few reported examples where UNDP country offices had been able to mainstream gender, poverty and environment. Eleven per cent of country offices that reported under this goal mentioned gender as being part of their programme and had thus endeavoured to incorporate gender into at least one of their outcomes. Some specific examples include the tailoring of particular social and economic initiatives to generate opportunities for secure livelihoods for women (Indonesia, Liberia, Sri Lanka), the promotion of women's rights (Somalia) and the programme for small-arms collection in Albania supported by UNDP, where women have been actively involved. UNDP was also active within the inter-agency framework in the Inter-agency Standing Committee Working Group on Gender and in the Inter-agency Task Force on Women and Peace headed by the Special Advisor to the Secretary-General. A training manual on gender and humanitarian assistance was prepared, as well as a draft UNDP plan of action on gender equality from transition to post-conflict development. Despite inherent linkages between environmental goals and the mitigation of natural disasters, the results reported under this goal were more concerned with the mechanisms and structures that minimize losses through effective early warning systems and disaster-reduction plans. Only three country offices reported explicit links between environmental policies and disaster-mitigation strategies, namely El Salvador, Venezuela and Viet Nam.

98. Fourteen per cent of country offices reported on working to improve United Nations system coordination in the most challenging of environments. The coordination of efforts in emergencies calls for a quick and more flexible approach than that implied by the normal common country assessment (CCA)/United Nations Development Assistance Framework (UNDAF) process. With speed and flexibility in mind, the United Nations Plan for the Republic of the Congo represents a powerful tool for follow-up and coordination of development aid in a complex emergency context.

99. With the wider range of activities in situations of complex emergencies, it becomes even more important to reflect gender issues adequately, since women and children are usually the most vulnerable in conflict and disaster situations. The 2001 reports show this as an area that is clearly not receiving enough attention and a major initiative is needed in 2002 to redress this shortcoming. The Bureau for Conflict Prevention and Recovery is preparing specific guidelines to this end.

XII. Goal 6: a coherent and effective United Nations system

100. The results reported in 2001 were generally similar to those in 2000, confirming some progress in reforms and some new initiatives by a few countries. These advances, however, were not widespread or systemic enough to have a major effect on development results at the country level. With greater coherence and alignment of instruments and mechanisms for inter-agency work, it is expected that the emphasis on improving processes will shift to strategic results shared by United Nations country teams and national counterparts. To this end, an initiative was begun in 2001 to make collaboration beyond the CCA/UNDAF more concrete. In light of the triennial comprehensive policy review of operational activities for development (E/1998/48) of the United Nations General Assembly, the United Nations Development Group established a programme group and a management group to focus on harmonization and simplification issues between the United Nations Population Fund (UNFPA), UNICEF, UNDP and WFP. The UNDP Group, which includes the Special Unit for Technical Cooperation among Development Countries, UNCDF, UNDP, UNIFEM and UNV, undertook a comparative review of current results-orientation approaches as a step towards even closer interaction. Piloting of United Nations common services at the country level is also under way.

101. One hundred and twenty-nine country offices reported on this goal (87 per cent of the total). Positive change was reported for about 50 per cent of outcomes while annual targets were fully or partially achieved for about 80 per cent of outputs. Divergence between the high rate of output-target achievement and the low level of progress towards outcomes may indicate that offices were focusing more on process than on expected results, especially with regard to promoting United Nations reform. The similarity in performance in supporting follow-up actions to global conferences may reflect the gap between the observed progress in coordinating United Nations system efforts and national successes in monitoring and implementing the global agenda yet to come.

102. Monitoring the implementation of the global agenda for development represented the primary focus of United Nations country teams in 2001. Integrated support for achieving the global goals has yet to become an important component of follow-up actions. Coordinated United Nations support for the monitoring of national commitments should be extended to embrace joint advocacy, planning, implementation and evaluation of those commitments in each programme country.

103. It is expected that the MDGs will provide an invaluable framework and impetus for fostering greater cohesion in United Nations system activities at the country level.

104. Particularly encouraging has been the swift response of 17 country teams in MDG follow-up activities at the country level. In addition, a few country teams reported that they were already adjusting their internal mechanisms and coordinating their dialogue with national partners on the MDGs. The major challenge now is relating the pursuit of these goals to in-country needs and priorities for human development.

105. Reports from the Asia and Pacific region show that countries are focusing on setting up monitoring systems aligned to the MDGs and their monitoring. United Nations country teams in Europe and the Commonwealth of Independent States explored dialogue with national partners on MDG commitments and actions. In Latin America and the Caribbean, the UNDAF was used to strengthen the effectiveness of United Nations system teamwork by assessing and reorganizing thematic and technical groups and by UNDAF monitoring. United Nations country teams in Africa and the Arab States pursued joint programme initiatives. HIV/AIDS is reported as the main area of joint programming, although others include poverty, community empowerment, gender, assistance to war-affected regions and reintegration of refugees (Chad, Egypt, Guinea, Madagascar, Malawi, Republic of the Congo, Somalia, South Africa, Tunisia and the United Republic of Tanzania).). The number of United Nations thematic groups on gender increased in 2001 and 25 per cent of country offices have reported the establishment of new gender thematic groups. In many cases, UNDP, alone or in collaboration with UNIFEM, leads the group.

106. UNV volunteers often facilitated inter-agency collaboration. Stationed with different United Nations organizations, UNV volunteers' work cuts across more formal institutional barriers (Bhutan, Ecuador, Lao People's Democratic Republic). In Mongolia, UNV volunteers helped with coordination efforts among national volunteer organizations. Other country offices reported on the more traditional involvement of UNV volunteers in community-level programmes (India). The country office in Sri Lanka reported using UNV volunteers at the national level to prepare a national poverty conference. They also supported the new public administration and election in East Timor.

107. The adoption and use of results-based management approaches by all United Nations organizations and the joint focus on common strategic results could open a window for correcting the continuing divergence between United Nations aspirations for joint programming and actual practice. A comprehensive review assessing the effectiveness of current country team efforts, mechanisms and ensuing results should identify causes and specific opportunities for improvement.

Part three

108. Part three provides an in-depth analysis of three sub-goals selected jointly by the Executive Board and UNDP:

- Goal 3, sub-goal 1: sustainable environmental management and energy development to improve the livelihood and security of the poor;
- Goal 4, sub-goal 2: advancement of women through the implementation of global commitments;
- Goal 6, sub-goal 2: increasingly collaborative, efficient and effective operational activities for development.

XIII. Goal 3, sub-goal 1: sustainable environmental management and energy development to improve the livelihoods and security of the poor

109. There is very high demand for UNDP support in environmental and energy management, underlining the importance of environment for UNDP overall efforts to reduce poverty. This will be reinforced by the preparations for the World Summit on Sustainable Development (WSSD), to be held in Johannesburg from 26 August to 4 September 2002, and the responsibility to report on progress towards the Millennium development goals (MDGs). To maximize its efforts in this area, UNDP needs to improve links between environmental concerns and poverty reduction and close gender gaps. The detected shift in UNDP interventions, from analysis of global concerns to national policy options, needs to be advanced to support the implementation of plans.

110. UNDP reported results from 133 programme countries under this sub-goal. The majority of UNDP interventions relate to national policy and regulatory frameworks for environmental management and the setting-up of institutional frameworks. This represents a 30 per cent increase from 2000, suggesting greater UNDP involvement in supporting national policy, legal and regulatory frameworks for environmentally sustainable development.

111. Building the capacity of institutions and systems constitutes, together with policy advice, most UNDP effort within the environment goal. Most country offices reported partnerships and networks with a wide variety of local, national and international actors. Aside from Governments and civil society, most partnerships were with bilateral donors, the European Union, regional development banks, the United Nations Capital Development Fund (UNCDF), the United Nations Volunteers (UNV), other United Nations organizations and the World Bank. Support to government agencies came in the form of technical advice and coordination of other donors. Partnerships with UNV relate to building environmental awareness and capacity at community levels, with 117 UNV volunteers involved in nine countries. UNCDF continued to be a key partner in decentralized natural resource management and micro-credit initiatives, for example, in Haiti, Mali and Niger.

112. Seventy-four per cent of the country offices reporting results in the area of national policy, legal and regulatory frameworks considered their support in terms of strategy-setting and policy options. Analysis of outputs suggests, perhaps inevitably, considerable overlap in these categories. Twenty-five country offices reported on supporting a national strategy for sustainable development, originally called for in Agenda 21. Their preparation also responds to part of the commitment to integrate sustainable environment management into national development policies and programmes. Most countries plan to report on these accomplishments in the upcoming World Summit for Sustainable Development.

113. Country offices reported on support for efforts to incorporate sustainable energy considerations into national planning, where UNDP interventions shifted from an earlier focus on the local analysis of causes, effects and options relating to global issues, such as the accumulation of greenhouse gases, ozone-depleting substances and global common goods, to reflecting analyses in national plans and programmes. This shift sets the stage for collaboration between UNDP and partners to support country capacity to implement newly formed national plans.

114. Another prominent area of activity was support for the development of national and local institutional frameworks to enhance the implementation of environmentally sustainable development policy. Seventy-one country offices reported in this area. Fifty-one per cent of outputs and 70 per cent of outcomes were categorized by the country offices

concerned as capacity-development activities. Sixty-five per cent of country offices reported positive progress towards outcomes. These efforts targeted institutions at the national, provincial, municipal and local community levels.

115. Seventeen offices reported on interventions to build national capacities to monitor environmental conditions and trends. As was the case in the 2000 report, this area was the least reported on within this sub-goal. A total of 96 per cent of 2001 output targets were fully or partially met. It is perhaps for this reason that country offices reported substantially more progress towards outcomes in 2001 than in 2000: 73 per cent compared to only 53 per cent in 2000.

116. Most country offices did not offer convincing evidence of linking their interventions in environment with their work for poverty reduction or gender. Only eight country offices reported interventions in environmentally sustainable development explicitly linked to promoting gender equity. Several country offices, however, reported results relating to pilot downstream projects in sustainable energy and environmental management, particularly for improving access to clean water, natural resources and affordable energy, which have clear potential to reduce poverty. Sustainable energy interventions, supported by Global Environment Facility (GEF) funding, included pilot projects often relating to climate change. It is still too early to observe results from upstream efforts to make national energy policies more pro-poor.

117. The responsibility of UNDP to report on the MDGs provides an opportunity to re-energize and harness various environment and sustainable development monitoring and reporting systems. This calls for more effective partnerships with specialized national institutions and improved partnerships among donor agencies.

118. The results of 2001 pose both challenges and opportunities in this regard. There is, for example, a substantial level of activity in supporting environmental policy formulation and in building the capacity of national, provincial and municipal entities. Tangible progress in integrating environmental management and global commitments into national development plans, however, remains both limited and slow while more effective links to poverty reduction and the pursuit of gender equity are required.

119. The upcoming WSSD and the MDG commitments provide both the need and a new opportunity to integrate environmental management more fully into poverty-reduction strategies and national development plans and policies. UNDP must reinforce efforts to support programme countries in this area by streamlining various environmental and sustainable development monitoring and reporting instruments and by nurturing synergies between local and national efforts and between national and global initiatives for lasting outcomes.

120. In terms of micro-level innovations, there is a small but increasing number of interventions in environmental and energy management directly benefiting poor communities. Perhaps the most interesting development in this direction is the number of downstream pilot projects aimed at increasing access of the poor to sustainable energy through cleaner technologies. As the development assistance agenda becomes increasingly focused on poverty reduction and progress in achieving the MDGs, such pilots could provide a platform for scaling-up, through replication, and even more importantly, through pro-poor policy change.

XIV. Goal 4, sub-goal 2: advancement of women through the implementation of global commitments

121. Follow-up to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) in particular still appeared to be in its initial stages in 2001. UNDP country offices reported support in setting up CEDAW mechanisms and formulating implementation strategies. While progress was noted in promoting legal equality through the alignment of legislation in many areas, the situation in reality does not match efforts in policy, national institutional capacity and gender-disaggregated data collection. Urgent action and development assistance is necessary to meet the time-bound commitments made by Governments at the twenty-third special session of the General Assembly on Women 2000: Gender Equality, Development and Peace for the Twenty-First Century (Beijing+5), held in New York from 5 to 9 June 2000, other related international conferences and the Millennium Summit.

122. Just under one third of UNDP offices – 38 – reported under this sub-goal in 2001. While this is a modest total, it represented a 17 per cent increase from the level in 2000. Seventy-five per cent of reporting offices registered positive change towards outcomes while 82 per cent of annual output targets were either fully or partially achieved.

123. Indicative of the Administrator's emphasis on upstream policy influence, 67 per cent of outcomes related to policy formulation. Most country offices reported on the organization's role as facilitator of dialogue between women's non-governmental organizations (NGOs) and Governments on key issues of national policy on gender equality. Partnership strategies also pointed to UNDP promotion of participatory approaches and the inclusion of diverse national and international stakeholders in policy formulation and reporting on the implementation of international commitments.

124. In most areas, UNDP developed partnerships with the United Nations Development Fund for Women (UNIFEM) and other United Nations organizations, notably for follow-up to CEDAW and to combat violence against women. The organization played a lead role in many interventions with technical and, at times, funding support from UNIFEM and/or other United Nations organizations. Where UNIFEM took the lead in thematic groups on gender, UNDP provided broader options for donor coordination and programme implementation.

125. Twenty-six country offices reported on the development and implementation of national action plans for the advancement of women and on the gender dimensions of all conference commitments, with 76 per cent positive change in outcomes. Eighty-nine per cent of output targets for 2001 were either fully or partially achieved. Almost all outcomes (95 per cent) related to the preparation of new national action plans. Policy support in the formulation of national action plans was often coupled with efforts to enhance national capacity and institutions and to include key national stakeholders in this process. UNDP support also covered building national institutional capacity for the implementation of national action plans.

126. In support of the ratification, implementation and monitoring of CEDAW, including its optional protocol, the number of country offices reporting results, although more than in 2000, was still very low in terms of potential and need. Only 11 countries reported on this strategic area of support, with 69 per cent positive change in outcomes. Ninety-two per cent of output targets were either fully or partially achieved. Outcomes targeted the ratification of CEDAW, its optional protocol and changing national legislation. The low profile of UNDP in this area contrasts dramatically with the large number of Member States that have ratified CEDAW.

127. Only 13 offices reported on measures to reduce violence against women, although returns were high – 79 per cent of outcomes registered positive progress and 94 per cent of 2001 output targets were fully or partially achieved. The high level of progress towards outcomes was overshadowed by the low profile of UNDP in this area. There are, however, efforts to address violence against women within the framework of human rights. Good results were reported from a joint United Nations anti-violence campaign in Latin America. There were also examples where combating the trafficking of women became the focus of United Nations inter-agency collaboration.

128. The implementation of international commitments has proven to be slow. Weak annual targets were often a cause of lack of progress in 2001. National constraints, however, were also reported.

129. Interventions to eradicate violence against women were often placed as an issue within the human rights framework in the implementation of international commitments. Most successful interventions are those that are implemented in a participatory way within a broader framework of legislative and diverse advocacy measures. The potential for success is linked to the involvement of national stakeholders and the partnership strategy involving other United Nations organizations, especially UNIFEM.

130. As indicated elsewhere, the assessment of results in 2001, there is considerable scope – and pressing need – to increase linkages between goals in pursuit of gender equity and to mainstream gender on a much wider scale, including through South-South cooperation. Reducing violence against women, for example, should be an integral part of UNDP interventions in the area of democratic governance and human rights, including training of judiciary and law enforcement agencies. In this way, it would complement the advocacy and civil-society awareness-building done by UNIFEM and other United Nations organizations and provide a broader framework for sustainability of efforts to stem violence against women.

131. Progress in this sub-goal was frequently hampered by constraints of a political, social and economic nature. Achievement of outcomes demands consistency in strategy and focus, a holistic approach and sustained technical, financial and, above all, political support. Nevertheless, UNDP has the experience and expertise to facilitate national dialogue on gender equality and to support the formulation of national strategies and reporting on international commitments. Hallmarks of the UNDP approach in this sub-goal emerged as the promotion of partnerships, inclusion and participation.

XV. Goal 6, sub-goal 2: increasingly collaborative, efficient and effective operational activities for development

132. Efforts by the United Nations Development Group to enhance the utility of the CCA/UNDAF process, harmonize programming mechanisms and provide guidance on issues, such as monitoring of MDG follow-up activities, enhanced the potential of the resident coordinator system. An action plan was endorsed in 2001 on appropriate follow-up measures to the UNDAF External Assessment, taking into account the Joint Nordic Assessment, the Princeton II workshop and the triennial comprehensive policy review of operational activities for development. A proposal on the harmonization and simplification of United Nations country programming was adopted, emphasizing the use of the CCA/UNDAF process as the common framework for the preparation of a new common results-oriented format for agency-specific country programmes.

133. The level of interaction in country-level operations continued to increase, as indicated, for example, by the growing number of countries with CCAs, UNDAFs, harmonized United Nations programming periods, United Nations houses and United Nations thematic groups. This is evidenced by the high rate of output targets achieved in 2001. Initial emphasis on coordination must now be balanced by a concentration on achieving actual results. Further effort is needed to develop and jointly advocate positions on key human development challenges and to fund and implement joint programmes.

134. One hundred offices reported on coordination of programming and administration through the resident coordinator system and 18 offices reported on UNDP support of non-resident United Nations organizations. Positive change was reported for 51 per cent of outcomes while 80 per cent of 2001 output targets were fully or partially achieved. Various inter-agency mechanisms were introduced to assist in the coordinated implementation of the UNDAF. These included designing common implementation and monitoring structures and setting up technical groups for planning work towards the UNDAF. Joint interventions, however, were inhibited by the lack of complementarity in basic programming modalities. The lack of uniform administrative, financial, budgetary and planning procedures used by different United Nations organizations impedes progress in joint programming.

135. A more positive picture of coordination was evident in conflict or natural-disaster situations. This area of joint United Nations action has proven to be of strategic value for concerted and efficient support under the most trying circumstances. Joint emergency responses and disaster-management plans, a common strategy in support to post-conflict situations and coordinated action on mitigating the consequences of crisis and disaster were useful instruments for collaboration. A major inter-agency programme, inter-agency contingency planning and a coordinated approach to the supply of humanitarian assistance in Pakistan and Uzbekistan facilitated the prompt response to the Afghan crisis by United Nations organizations. Four country offices reported United Nations country team collaboration with the phasing-out of peacekeeping missions. Other reporting offices indicated that in crisis and natural-disaster situations, where the United Nations system acts jointly, the response of the international community is more positive and the effects are more beneficial to affected communities.

136. The operation of the resident coordinator system was reported on by three quarters of country offices in 2001, as in 2000. United Nations thematic and technical groups remain a widely used approach to inter-agency coordination, most frequently in HIV/AIDS but also in poverty, gender and human rights. Emerging in 2001 was inter-agency coordination of functions that cut across thematic areas, for example, in joint advocacy and communication, information technology and communication, UNDAF monitoring and United Nations statistics. A thorough assessment is needed to evaluate how such internal mechanisms shape results achieved by country teams.

137. In operations and human resource management, six country offices reported progress in establishing a common United Nations House while others reported setting up a common account and operationalizing cost-recovery schemes. Joint efforts to strengthen the skills of United Nations staff on gender issues were reported by one office (Pakistan) and on human rights by another (Malawi). While the achievement of annual output targets was high (80 per cent were fully or partially achieved in 2001 as compared to 55 per cent in 2000), reported progress towards outcomes was significantly lower (51 per cent for positive change in outcomes in 2001 as compared with 64 per cent in 2000). This may be a result of the time lag before the appearance of changes in outcome indicators or a preoccupation with process.

138. The rate of progress towards outcomes and rate of achieving 2001 targets for outputs were considerably higher where larger United Nations country teams were involved. Country offices where UNDP collaborated with five or fewer United Nations organizations reported positive change towards 36 per cent outcomes, compared with 60 per cent for countries where the number of UNDP partners is six or more. Similarly, the rate at which annual targets for outputs were fully achieved was 36 per cent and 60 per cent, respectively. This may indicate that larger numbers of United Nations organizations in countries generate more activities and thus encourage more effort in coordination, in turn generating higher levels of performance. At the same time the cumulative effect of their respective activities brings about more significant results at the outcome level, as demonstrated by the greater successes in achieving common strategic objectives, such as utilizing the UNDAF process for more coherent programming, undertaking joint initiatives or promoting coordinated advocacy.

139. Offices that reported under this sub-goal point to (a) clear progress in implementing the United Nations reform processes at the country level, such as the use of the CCA and UNDAF, and continuing progress in moving into United Nations Houses and (b) better coherence between instruments and mechanisms for inter-agency work, such as the increasing use made of United Nations thematic groups and the interagency use of national human development reports. More generally, this is evidenced by the high rate of output targets achieved in 2001. The emphasis on improving processes, however, should not detract from the need to pursue strategic results jointly. The low progress towards outcomes underscores that further effort is needed, both at the headquarters and the country office level, to develop common advocacy positions and joint action programmes.

XVI. Summary of ROAR conclusions

The lessons of 2001

140. There is an emerging picture from all six goals that the achievement of sustainable and pro-poor development requires the organization to be even more pro-active in influencing policies, laws and socio-economic practices. This in turn calls for more outcome-oriented and consensual partnerships with civil society and the private sector and with Governments. Integral to this is the need to ensure national ownership in order to sustain capacity-development efforts, to prompt policy change and to implement policy commitments.

Policy advice and capacity development

141. Policy advice and capacity-development now constitute the main forms of UNDP cooperation, but each poses distinct challenges. Obtaining high levels of performance in results through policy advice requires national commitment at the highest levels, combined with the ability to sustain such results over time. On the other hand, capacity development is central to ownership and sustainability but invariably demands sustained and relatively costly support over extended periods.

The importance of partnerships

142. The ROAR 2001 was emphatic about the importance of effective partnership management. There is still a sizeable gap in many cases between good results at the output levels achieved within each goal of the strategic results framework and their contribution to realizing larger development outcomes. In general, the gap reflects the challenges of marshalling other development partners to produce the contributions necessary to move towards the outcomes envisaged. The need for high-leverage partnerships has arguably grown with the rising demand for cooperation in areas

relating to globalization and information and communication technology for development. The efficacy that is called for in conjunction with national and international partners also applies to United Nations country teams, which must now move past coordination of programmes to actual joint efforts to realize mutually reinforcing development results.

143. After initial experimentation with articulating partnership arrangements using results-based management tools and concepts, there is now a better understanding in the organization of the importance of a well-considered, well-managed partnership strategy in achieving outcomes. This is an area where UNDP must further sensitize and equip its staff members. This should be accompanied by a concerted effort to cultivate partnerships in the international community that contribute to lasting development outcomes at the country level, rather than simply generating agency-specific outputs.

Results-based management and the new UNDP

144. In 2001, results-based management principles were incorporated throughout programming and guided major initiatives to simplify business practices and reduce transaction costs. The main instruments in UNDP programming have been revised to reflect a results-driven approach, as have evaluation policies and tools. The building blocks are in place for a dynamic process of strategic planning and review, a more structured assessment of performance and the fine-tuning of focus. These contribute to the agility and precision with which UNDP responds to changing needs and priorities. For management information and learning, the ROAR is a unique source of material for in-house substantive dialogue at all levels. While results orientation is certainly taking hold in the organization, the potential inherent in the exercise for informing policy change and managerial supervision has yet to be fully realized.

145. UNDP is now receiving a growing number of requests from Governments and development partners to share its experiences as they initiate their own performance-management systems. In light of the current global emphasis on performance, UNDP may consider developing its in-house capacity for responding to this rapidly growing demand. Indeed, UNDP experience in results-based management can potentially be transformed into a distinct line of support for programme Governments, the United Nations family and the wider development community.

Endnote

146. Performance in 2001 presents the actual contours of the changing UNDP, of an organization pursuing development results through influencing policy. It is clear that UNDP has committed greater attention to realigning its own resources and activities to influence greater change in policy, laws and socio-economic practices in the overall context of strengthening the capacities of institutions and societies to manage their own development processes. There are serious challenges in a number of areas, notably gender, and the organization must attach high priority to partnerships if its good performance at the output level is to translate into strong and sustained progress towards outcomes.